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Foreword by

RENATO CONSTANTINO

Symposium

Feudalism and Capitalism in the Philippines

Trends and Implications

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Symposium

Feudalism and Capitalism in the Philippines

Trends and Implications

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Luisa J. Mallari
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Foreword

Discussions on the nature of Philippine reality have often focused on the question of whether the predominant mode of production is feudal, semi-feudal, in transition to capitalism, or capitalist. Factional and sectarian debates on the matter have on the whole not addressed the question in an analytical, comprehensive manner, thus compounding the confusion of many. In an effort to clarify the issue especially for those for whom the question has strategic relevance, the Foundation for Nationalist Studies invited scholars representing a fairly broad political spectrum to contribute to a symposium on "Feudalism and Capitalism in the Philippines, Trends and Implications." Five responded with the essays now published in this book.

Given the very broad topic, the participants had the widest latitude to present their own perceptions and analyses either by addressing the topic as a whole or concentrating on a particular aspect of the Philippine experience. The result is a thought-provoking compendium which is nevertheless far from being the last word on the subject. Several important questions have received scant attention, in particular the question of the implications of present economic developments.

Although, as expected, there are differences in both approach and specific conclusions, there is common agreement on the role world capitalism plays in restructuring Philippine society in order to exploit its resources and its labor force.

The economic development of the country must be seen in the light of the attempts of global capitalism to maintain and in fact increase the extraction of surplus value by avoiding higher outlays for variable capital through the relocation of the labor intensive phases of its production cycle to the Third World. At the same time, these operations have the effect of reinforcing or transforming the socio-economic organizations that existed prior to imperialist penetration. Foreign capital is dominant in the Philippine economy with local capitalists occupying a largely subordinate position. One must likewise try to see how far and in what ways capital has been able to separate labor from the means of production and in so doing how it has maintained existing forms of social control, transformed them or created new ones. Whether one chooses to characterize the social formation as semi-feudal or capitalist, it is clear that the working class consists of both waged and unwaged labor. There is no consensus among the contributors on whether the various types of unwaged labor are to be regarded as part of the work force of capitalism. While there is agreement about the capitalistic nature of the driving forces, the authors are in disagreement on whether to regard unwaged labor in tenanted lands as an expression of feudal relations of production or as part of the latent reserve force of a capitalist society or one in transition to capitalism. The fact remains that

existing sectors characterized by non-capitalist division of labor do supply capitalism with cheap labor.

Another point that merits consideration is that the trader in a society where the trading function is greatly expanded has become the link between modes of production, seeing to it that production in the non-capitalist mode is geared to the needs of capitalist reproduction.

The authors are in broad agreement that capitalist development in the Philippines is confronted with the displaced labor of disintegrating pre-capitalist modes. This is one of the causes of unemployment, underemployment and a disproportionate number employed in the non-productive sectors such as the state bureaucracy, the service sector, the distribution channels, tourism and entertainment. Whether they are urban centered (jeepney drivers, sidewalk vendors etc.) or remain as rural proletarians in the agricultural areas, their lack of a permanent employment in a productive activity makes them politically unstable. The existence of a differentiated working class has led to the formation of class fractions that oscillate in ideological expressions from right to left. An investigation of the characteristics of different sub-classes, fractions of classes or transitional classes will be important in any assessment of any program for change and should be undertaken. In this connection, a study of the petty bourgeois stratum as well as the extent to which its values have permeated other segments of the population would be very useful. How certain economic policies, reinforced by the media and the onslaughts of transnational corporations, are creating a trend toward petty bourgeoisification and the implications of such a development are subjects of grave importance.

These and other questions, examination of which will throw further light on Philippine social reality and its specificity, could be the subjects of other symposia.

It is my hope that this symposium will constitute a modest contribution to the development of a corps of Filipino analysts who will enrich political theory through their studies of Philippine society.

RENATO CONSTANTINO
Quezon City
September 1, 1982

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Rethinking the Philippine Social Formation: Some Problematic Concepts and Issues

The complexity of the Philippine social formation is self-evident. Unevenly developed different modes of production coexist and yet are in obvious contradiction with each other. These modes range all the way from various forms of the pre-capitalist mode to the capitalist mode itself. While these are organized in a hierarchy of dominance, the problematic of determining which mode is dominant continues to be a real theoretical and political problem. In a sense, the seeming imprecision of some key concepts used in delineating the theoretical and political contours of the Philippine social formation, like semi-feudal and semi-colonial, reflects this complexity and difficulty.

In this paper I shall probe into the implications and assumptions of some approaches and concepts that may be used to clarify some aspects of the laws of motion of a concrete social formation without being tied down at this stage to questions of empirical validation.

On the Persistence of Pre-capitalist Modes of Production: Conceptual and Historical Issues

In many colonial social formations, increasing historical and empirical studies show that the process of the integration of pre-capitalist modes into the capitalist mode can no longer simply be conceived as one of succession, or evolution nor even as a simple case of transition. In the main, a certain process of linearity may be assumed in that capital eventually dominates and transforms agriculture and renders unworkable old production and property forms. It is equally true, however, that under certain historical conditions, capital not only transforms but also simultaneously reproduces the peasantry. This framework is important to the understanding of the persistence and even entrenchment of pre-capitalist modes of production (feudal or semi-feudal, for instance) long after the capitalist mode has taken root.

In the historical context of the Philippines, one concrete aspect of this problematic is the formulation that the social formation is predominantly feudal and semi-feudal. To argue that it is semi-feudal in effect means that pre-capitalist modes (what is referred to as semi-feudal) have not only persisted but have been reinforced in fact for a relatively long period of time in spite of, or precisely, because of the impingement and penetration of the capitalist mode.

In the Philippines, the colonial period up to the 18th century was marked

essentially by the institutionalization of different forms of labor-processes and relations of production which were feudal in character. These ranged all the way from the various forms of labor and tax exactions of the colonial government to the development of share tenancy. Indeed, "while feudalism in Europe antedated capitalism, in the Philippines feudal relations similar to the European experience were a consequence of capitalist incursion".[1]

The late 18th century signalled the entry of the Philippines into the world trade system. This integration of the country into the world economy laid down the material basis for some of the most significant changes in various aspects of the social formation.[2] Of course, the colonial feudal mode had its own internal dynamic as evidenced by the continuing peasant revolts against various kinds of feudal exploitation. However, the penetration of the capitalist mode under the domination of commodity export in the 19th and early 20th centuries greatly accentuated the internal bases for these changes.

The dramatic transformations in the mode of production during the 19th century most notably in the most advanced export plantations like the Negros haciendas[3] have in fact led some authors to argue that by this time the colonial economy was already more capitalist than feudal. Thus Fast and Richardson assert that:

> Our analysis of the Philippines during the last century leads us to the firm view that the dominant forces at work were not feudal but most decidedly capitalist. The most advanced sectors of the economy, the sugar industry for example, were clearly responding to factors of capital accumulation and world market forces which bore no relationship to any definition of feudalism.[4]

Indeed, the emergence of new labour-processes and relations of production in the Negros plantations was most striking and instructive. While clearly not typical of developments in other parts of the country, the developments in the Negros plantations from the 19th century upwards illuminate many of the processes which lead to the undermining of old pre-capitalist modes and the emergence of transitional modes. For instance, the separation of the direct producers from their basic means of production and the rapid concentration and centralisation of lands for export commodity production were facilitated in Negros by at least three tactics:[5] the forced expropriation of peasant farms later to be legitimized by legal documentation; cash purchase of small peasant farms; and high interest loans to peasant proprietors with default provisions requiring forfeiture of land and years of debt-bondage.

One outstanding feature of the labour-process in the plantation sites which originally were sparsely populated rain forests, was the massive use of migrant peasants from weaving villages in nearby provinces. The once-flourishing local weaving industry in Iloilo and the other Panay provinces was ruined by the coming in of cheap English cotton manufactures. Thus, unlike in other share-tenancy farms and landholdings where the tenant still possessed some means of production like his farm animals, implements and tools, most of the direct producers in the Negros

sugar plantations were already completely dispossessed of their means of production except their own labour-power. Furthermore, unlike in most landholdings where merchant capital did not directly intervene in the actual production process, the investment of local and foreign capital in the Negros plantations led to changes in the production process thru the introduction of new technology (centrifugal mills) and infrastructural improvements in the ports, roads and railway system. All of these made possible more efficient labor and marketing linkages between the individual haciendas which served as further material impetus for the disintegration of the old modes of production. Thus, by the turn of the 20th century, one author writes that:

> . . . the Negros plantation economy had evolved into a social system without parallel elsewhere in the Philippines or Southeast Asia. Unlike the tenanted sugar plantations of Central Luzon, Negros haciendas were cultivated by supervised work-gangs paid a nominal daily wage. . . Worked in teams under the supervision of a foreman like open-air factory workers, the Ilongo plantation hand was paid an inadequate daily wage which left him constantly in debt to the planter.[6]

But do all these developments then support the thesis advanced by Fast and Richardson and other authors[7] that by the 19th century, the dominant forces at work in the economy were already decidedly capitalist?[8]

First, it has to be stressed that for most parts of the social formation during the 19th century, the predominant form of the labour-process and relations of production was based on the tenancy system which was then decidedly more feudal than capitalist. Fast and Richardson themselves admit that:

> One notable feature of the early transformation of the Philippine economy to export agricultural production was the absence of a corresponding move to the type of plantation agriculture which is usually associated with such production. Although the Church and certain individual landholders held large parcels of land corresponding plantation development in the usually accepted sense of the term. . . did not develop. Church lands and the few large haciendas notwithstanding, early Philippine commercial production was characterized by relatively small to medium-sized holdings rather than the more economically variegated plantation milieu found in other countries. Labor requirements were met by *tenancy* and *leaseholding arrangements* rather than the employment of large labor gangs.[9] (Underscoring supplied)

Secondly, within the commodity plantation of the Negros haciendas, the wage relation that emerged was inseparable from a system of debt-peonage that in effect tied down the workers to the land. Thus, while the workers were paid wages, they were so deeply in debt that the hacendero could routinely exploit their surplus-labor by "other than economic pressure", or by non-capitalist means of extracting the surplus-product like debt-servitude and other forms of unpaid labor services.

Thirdly, the commercialization of agriculture thru its integration into the world market does not automatically lead to a transformation of its internal labor-process and relations of production. Thus, a production unit using slave labor or feudal labor-processes to produce commodities for the capitalist world market is not capitalist simply because of its assimilation and subordination to the world-wide capitalist market.[10] The point of departure for the analysis of the labour-process and relations of production must then be that between the direct producer and the owner of the conditions of production, the landlord-peasant relationship in the case of the colonial agrarian economy. For as Marx put it: "It is always the direct producers. . . which reveals the innermost secret, the hidden basis of the entire social structure, and with it the political form of the relation of sovereignty and dependence."[11]

It is also within this context that the so-called "rent-capitalist"[12] relations supposedly typical of the colonial agrarian economy, have to be situated. A feudal mode of production retains its basic character as such as long as the surplus-product of the direct producer (direct labor, rent in kind, or money rent) is extracted under coercive sanction by the landlord. It is secondary whether this product is for immediate use or for an internal or world market. In fact for the greater duration of the colonial period, the "rent-capitalist" was himself the landlord doubling up as merchant-usurer. The point here is that in a production process where the landlord-peasant exploitative relationship remains basically undisturbed, the operation of a rent-debt nexus (the essential feature of "rent-capitalism") is not only compatible but may in fact even reinforce the feudal form of extracting the surplus-product. In short, as long as the rent-debt nexus is peripheral to the essential production process, the old mode naturally asserts its dominance.

It is important therefore to realize that during the colonial period marked by the dominance of merchant capital, the feudal mode of production in the Philippines not only did persist after its initial institutionalization by the colonial order; it also got reinforced. On the other hand, it is equally important to realize that the assimilation of the colonial feudal economy into the world capitalist market starting in the late 18th century did accentuate the initial material foundations for the emergence of transitional labour-processes and relations of production as what happened in the Negros plantations. However, the breaking down and undermining of the old modes of production is a prolonged process particularly in historical situations where landlord-comprador capital is predominant. The ascendancy of landlord-comprador capital invariably strengthens the tenancy system, the pillar of the feudal mode, and severely limits the productive re-investment of surplus.

Imperialism and the Mode of Production of the Neo-Colonies

The classic Marxist theoretical formulation on the expansion of capitalism beyond its natural frontiers is that on the whole it plays a progressive role. This is based on the assumption that capitalism would develop the productive forces and industrialize the non-capitalist world while not denying that this same expansion has a two-sided effect: the typical combination of the exploitation and expansion of the productive forces. In the words of Lenin, "the recognition of the progressiveness of capitalism is quite compatible. . . with the full recognition of its negative and dark sides. . ."[13]

In more concrete terms, the problem of the penetration of imperialism in the neo-colonies may be stated in this manner: does the penetration of imperialist capital (as distinguished from merchant capital and competitive capitalism) bring about a transformation of pre-capitalist relations of production particularly in the agrarian economy? Or does it in fact maintain and reinforce these backward forms of the labour process and relations of production?

In the Philippines, the formulation that the social formation is essentially semi-feudal and semi-colonial is based on the assumption that the penetration and impingement of US imperialism on the existing feudal mode of production has stunted, by and large, the development of the productive forces even as it has accelerated the production of commodities for the market and supplanted the once subsistence economy with a predominantly cash economy. Since US imperialism is viewed as operating mainly through and in alliance with the big landlord and comprador bourgeoisie, the penetration of US monopoly capitalism has resulted in a distorted type of development which basically consigns the country to its present role as exporter of raw materials and semi-processed goods and an importer of finished manufactured products. Thus, because of its massive extraction and repatriation of local surplus product, the foreign character of imperialism prevents domestic capital accumulation. On the other hand, its monopoly character blocks the entry of domestic competitors in the strategic industries.

The over-all pattern of development in the Philippines shows that for a relatively long period of time, the semi-feudal mode has persisted and in the specific case of tenancy relations, even worsened at least up to the first half of the 20th century. One study[14] shows that at the beginning of the US colonial regime, 19% of the farms in the country were operated by tenants or sharecroppers. The same study shows that by 1918, tenancy had risen to 22% even after the supposed division and redistribution of the friar lands and even after a large increase in total farms with the opening of public lands. By the 1930s, tenancy rose to 36% and by the late 1950s, it was already more than 40%. Another study[15] also shows that the proportion of farms operated by share tenants in the Philippines increased from 16.2% in 1903 to over 50% in 1960. Even official government data show that the percentage of tenanted farms increased from 18.2% in 1903 to 35.1% in 1939 and 39.6% in 1960.[16]

These data show that tenancy relations as the specific expression of feudal and semi-feudal relations in the country have indeed been preserved and reinforced long after the effective penetration of the capitalist mode of production. The usual explanation for this phenomenon is that US imperialism had to support the local ruling big landlord-comprador class to ensure political stability. What remains not fully explained, however, is the process by which for a long period of time, the newly emerging capitalist mode necessarily reinforces the existing relations of production in the neo-colony in order to initially satisfy its own material reproductive requirements by way of goods and men from the existing mode of production.[17] Thus, the first material requirement for the emergence of capitalist production which is the separation of direct producers from their means of pro-

duction, could only develop very slowly and sparingly in areas where tenancy relations and landlord power were most entrenched.

In this regard, it is instructive to point out that the first significant and widespread capitalist transformation in agriculture under American imperialist rule occurred in Mindanao. Here a constellation of historical and political factors proved decisive to the rapid establishment and expansion of capitalist plantations and agro-corporations. To begin with, a whole decade of violent warfare launched by the American colonialists succeeded in facilitating the annulment of pre-capitalist structures of possession and appropriation among the Muslims and Mindanao minorities. These were then supplanted with capitalist forms of property and legality which made it easy to alienate both the ancestral lands and public farm lands to capitalist corporations and settler families. Lands for export crop plantations were literally offered on a silver platter to agro-capitalist corporations. For instance, Del Monte was paying the incredible amount of P1.00 per hectare from 1938 to 1956 for the pineapple lands leased to the company. Finally, the continuing process of land concentration and centralisation engaged in by the corporations resulted in the creation of an increasing mass of landless workers who formed the embryonic mass of the rural proletariat in the mines and plantations. This capitalist requirement of separating the direct producers from their means of production proceeded at a much faster pace in Mindanao since the mass of settlers from which the workers in the mines and plantations were recruited were far more vulnerable to this process of dispossession.

Conjunctural Crisis in the Dominated Social Formation

The economic structure that results from the penetration of imperialist capital into the existing feudal and semi-feudal mode is a restricted and uneven type of development. It is a restricted development because the extension of capitalist relations of production have occurred basically in sectors that are crucial for industrial capitalist reproduction and in sectors that do not effectively compete with the commodities imported from the advanced capitalist countries. This same restricted pattern of development has allowed for the continuing reproduction of semi-feudal relations of production. The capitalist mode therefore has been most developed in the raw material extractive and processing sectors which are crucial to the requirements of the industrial capitalist mode particularly in the imperialist homelands.

This restricted and uneven pattern of development of the productive forces in a social formation dominated by imperialist and big landlord-comprador capital reproduces at the same time the material conditions for structural stagnation and crises. The objective necessity of confronting this crisis with the end in view of stabilizing economic and political conditions has generated varying economic strategies and policies with far-ranging effects on the labour-processes and relations of production.

In the fifties, the strategy of exchange controls and import substitution was pursued in the Philippines as in most of the Latin American neo-colonies. The underlying objective of the policy was the creation of a stable internal manufacturing and industrial base which could counteract the downward trend in the prices of agricultural exports which was seriously affecting the balance of payment situation. In the particular case of the Philippines, this serious hemorrhage of foreign exchange reserves was worsened by an "orgy of post-war imports of consumer goods". In 1962, the policy of controls was dismantled. There was determined opposition from both the local comprador exporting groups and the IMF and US business interests. The local exporting groups were disadvantaged by a system which favored the manufacturing sector; on the other hand, the IMF and US business interests opposed controls since it curtailed the repatriation of profits. These groups thus pressured the government to devalue the peso, as the alternative measure.

The period of controls and import substitution spurred the growth of the manufacturing sector and increased the participation of domestic capital in the expansion process. It is equally true, however, that:

> The 'import substitution' industries which had mushroomed under the protective umbrella of controls were for the most part assembly and packaging industries which had been built up, not as part of a comprehensive industrialization plan, but in order to take advantage of the protected market to make high profits. These industries were dependent on imported raw materials and thus represented a continuing heavy claim on the foreign exchange resources of the country. 'Import-substitution' had not resulted in any lessening of dependence on imports, only in a shift in their composition.[18]

Notwithstanding its predictable limitations as a reform measure, the policy of controls and import-substitution did transform the division of labor in a capitalist direction. It nurtured furthermore a class of Filipino capitalists whose interests put them in opposition to comprador interests and foreign capital.

The continuing crisis of neo-colonial economies subordinated to the capitalist world market gave rise in the sixties to a shift in the strategy of economic development. This strategy of export-oriented industrialization may be seen as an attempt to subsume the contradictions and limitations of capital accumulation based on the classic export-enclave economies and import-substitution strategies. For many neo-colonies long burdened by dependence on the export of a few raw materials from the agricultural and extractive sectors, the shift to export manufacturing presented itself with new hopes for breaking this cycle of dependence. Unlike the period of import-substitution, however, which had an umbrella of protective measures for the local manufacturing class, the logic and necessities of export-industrialization required fully opening up the economy to foreign capital and transnational corporations.

Within this new shift in strategy, an international division of labor of a new kind has shaped up, characterized mainly by the emergence of world market oriented manufacturing industries in the neo-colonies. The main reason for this development is that in many cases, production at the traditional locations in the industrialized countries is no longer as profitable as production in new sites in the neo-colonies. The existence of a practically unlimited supply of cheap labor and the development of new process technologies have facilitated the rise of export-oriented industries in the neo-colonies.

In this new international division of labor, manufacturing opportunities for the underdeveloped countries are limited to labor intensive operations not viable in the high wage economy of the developed countries.

In agriculture, the export-oriented industrialization strategy is marked by efforts to develop new export crops to diversify exports and overcome the stagnation generated by dependence on a few commodities and the limitations of the local market. Thus, the production and export of raw materials which can not be grown or produced economically, or in great enough volume in the capitalist centers have become profitable targets for new capitalist ventures by transnational corporations and their local corporate partners. The stress on export-industrialization has already caused a major shift in agricultural land use, away from food production for local needs and the local market to the production of plantation crops for export.

In the Philippines in recent years, this stress on export-industrialization has resulted in the establishment of new export plantation crops (bananas, palm oil) which in the main make use of capitalist labour processes. This has further led to the conversion of old tenanted plantations to corporate farms now hiring agricultural wage workers. In this regard, the recent case of the buying of the old Tabacalera tenanted tobacco haciendas in Cagayan Valley by Anca corporation which is intent on transforming the tenanted lands to corporate farms employing wage laborers is most instructive.

On Emergent Capitalist Relations of Production

In the traditionally tenanted rice and corn lands, recent developments underscore the fact that labour-processes and forms of extraction of the surplus product show more increasingly capitalist features. It is to be stressed once again, that the objective material transformation of the labour-process and relations of production from semi-feudal to capitalist features does not in any way mean the lessening of exploitation. This process does imply, however, a development in the productive forces and the consequent possibility of generating a larger social surplus.

The transformation of the labour-processes and relations of production in the traditionally tenanted lands (rice, corn, and coconut) have to be situated more specifically within the context of the rural development strategy of the World Bank as it is concretized by government policies. The centerpiece of the strategy of rural development championed by the World Bank in the neo-colonies is towards increasing productivity rates in agriculture rather than any large-scale redistribution of land or the democratization of political relations. This is to be achieved primarily through the delivery of technological packages (HYVs, fertilizers and pesticides, irrigation and infrastructural support) and the upgrading of agricultural services like credit systems (Masagana 99).

Particularly in the land reform areas, this strategy of stressing productivity and integrating the small farmer with the national and international market economy can not but affect the labour process and relations of production. The technology-dependent rice culture now being used in land reform areas has so thoroughly penetrated and dictated production processes, that the integration and subordination of the rice farmer to the capitalist market has never been so complete. What distinguishes this integration and subordination of the direct producer to the capitalist market from earlier forms (like merchant capital) is that in this case, literally every phase of the production process is effectively subsumed to the capitalist system even as the direct producer (tenant, leaseholder, CLT holder) is tied to the land and continues to pay land rent. In many land reform areas in Central Luzon, for instance, this effective subsumption is evidenced among others by the fact that the percentage of the surplus product that is extracted as feudal land rent in the form of money rent is now much less than the percentage of the surplus that goes into capitalist firms and entrepreneurs who control the various technological inputs.

This receding of feudal and semi-feudal forms of relations of production does not of course mean that the anti-feudal struggle which is based on the land question has been resolved. One implication of this development, however, is that the exploitative relationship to which the direct producer is subjected can no longer be simply resolved on the level of the landlord-peasant system for this now encompasses a whole network of capitalist relationships. This situation, furthermore, vividly illustrates the built-in weaknesses of a land reform program that simply addresses itself to the private ownership of land (even granting that it does succeed) without providing for clear transitional measures for the eventual collective and social ownership and control of the land.

The rationale of primarily increasing productivity that underpins the land reform program has also accentuated the material basis for increasing social differentiation among and within the rural classes. The increasingly prohibitive costs of maintaining an economically viable riceland with the present high yielding varieties demands the increasing concentration of the small, fragmented plots of land. Already, the corporate farms and compact farms are responses to this problem. However, since these farms are operated along capitalist lines, this process of land concentration will increase the growing mass of dispossessed landless rural workers who in 1975 already constituted about 55.5% of the total rural agricultural workers.[19] As a further material impetus to this social differentiation in the countryside, there are more and more cases of landlords in the land reform areas who have shifted to CLT arrangements so that they could use the payments for their overvalued lands as capital for commercial, financial and sometimes industrial undertakings.

The State and the Social Formation

One outstanding feature of state power in the Philippine social formation in recent years has been its almost unlimited capacity to directly and actively intervene in every conceivable field of economic activity. This concentrated and centralized political power can in fact be made to bear on labor-processes to develop the forces of production and shift relations of production. In a neo-colony like the Philippines, however, state power has to be exercised within the structural constraints of the dominated social formation.

The pervasive direct intervention and control by the state thru its corporate and individual instrumentalities of the production and marketing processes of key industries are now well-established. In the sugar industry, the state thru its agencies

and the favored comprador-capitalist sector in the industry now control critical aspects of the production and marketing processes from the provision of crop loans to milling operations, marketing, price determination, and even the industry's infrastructure.[20] In the coconut industry, government corporations and leading officials now preside over an increasingly vertically integrated network of operations from milling and trading to banking. The setting up of a large-scale high-yielding hybrid replanting scheme and the more thoroughgoing implementation of the vertical integration of the industry will force many farms to shift to economies of scale and adopt corporate practices of management.[21]

Further capitalist expansion into agriculture has also been facilitated by the authority given to the National Development Corporation (NDC) in 1979 to develop plantation agriculture that would cover thousands of hectares of land, well in excess of the constitutional limit of 1024 hectares.[22] As in the recently set up palm oil plantations in Mindanao, these huge corporate farms will be using wage labor for its operations.

It can now be seen that the state thru the dominant fraction of the ruling class has been compelled by the necessities of the conjunctural crisis and stagnation to intensify the accumulation of capital. Towards this end, the state has provided the political and legal framework for the creation of mechanisms which ensure the more efficient and profitable extraction of the social surplus thru increasingly capitalist labour-processes and relations of production. This necessity has been made much more compelling in the past few years by the very strategy of export industrialization which has made the regime's export industries extremely vulnerable to the fluctuations of the world market. However, this very same strategy of export-industrialization while forcing the regime to intensify its capital accumulation as a hedge to economic stagnation and political crisis has resulted in an immense leakage of the social surplus thru the operations of foreign capital and the transnational corporations. The capitalist development experienced in a social formation like the Philippines, therefore, does not promote independent industrialization since it is not an internally generated type of development based on a dynamic and organic linkage and interaction between the producer and consumer goods sector within the internal market.

The Contemporary Social Formation

It can be seen that for a long period of time the semi-feudal mode of production has been reproduced within the Philippine social formation long after the penetration of the capitalist mode. It can be argued that this reproduction and persistence of the old mode are traceable firstly, to its functionality during the initial phases of capitalist penetration; and secondly, to the imperialist strategy of maintaining the landlord-comprador class in power. The varying needs of reproducing the capitalist mode in its later imperialist phase, however, have led to the emergence of new labour-processes which are better able to meet these material requirements.

Within this transformation, more capitalist forms of the labour-process and relations of production have emerged even in areas where tenancy relations are most entrenched. The separation of the direct producers (peasants and tenants) from their means of production as a result of these new labour-processes, has increased the base of the working class. The rapidly growing mass of the agricultural wage workers and the rural landless workers who now constitute more than half of the total agricultural labor force have to be seriously considered since their immediate and long-term interests do not necessarily coincide with those of the share tenants, leaseholders, and amortizing landowners.

The land question continues to be a valid issue which can not be resolved by the land program of the government. However, a truly progressive agrarian program must go beyond the demand of simply giving land to tillers of the soil in the tenanted areas. It must be able to provide for immediate transitional forms for the collective and social control of the land.

The state thru its politically dominant class fraction of comprador-capitalists, bureaucrats, and technocrats, has been able to set up varying mechanisms (like price and market control and special taxation and levy systems) which lead to the more effective internal accumulation of capital by intensifying the extraction of value from the direct producers both in the agricultural and manufacturing sectors of the economy. Part of this state appropriated surplus is reinvested into economic measures aimed at more efficient and profitable production processes. These measures, however, are not integrated with a rational program of developing the productive forces for independent industrialization to ensure that the momentum for economic growth and development is fuelled primarily not by the external and extraneous needs of foreign capital but by the internal needs and demands of the people.

Thus, what has been experienced so far in the social formation is a process of a restricted and uneven growth of the capitalist mode of production. Indeed, semi-feudal labour-processes and relations of production have significantly receded with the further advance of more capitalist production processes. But precisely because of its restricted and uneven pattern of development under imperialism, this process can not be equated with the transformation of the productive forces for long-term economic growth and development for the people.

NOTES

[1]Renato Constantino, *The Philippines: A Past Revisited* (Manila, 1975), p. 41

[2]See Alfred W. McCoy and Ed. C. de Jesus, eds., *Philippine Social History: Global Trade and Local Transformations* (Quezon City: Ateneo de Manila University Press, 1982).

[3]Ibid., pp. 297-358.

[4]Jonathan Fast and Jim Richardson, *Roots of Dependency* (Quezon City: Foundation for Nationalist Studies, 1979), vi-vii.

[5]Alfred McCoy and Ed. C. de Jesus, *Philippine Social History*, pp. 317-318.

[6]Ibid., p. 325

[7]Brian Fegan, *Rent Capitalism in the Philippines* (Quezon City: UP Third World Studies Papers, February 1981), and Marshall McLennan, *The Central Luzon Plains* (Manila: Alemars, 1980).

[8]For a critique of this position see Review of Fast and Richardson, *Roots of Dependency* by Ricardo Ferrer, in *Diliman Review*, May-June 1980, pp. 55-58.

[9]Fast and Richardson, *Roots of Dependency*, pp. 28-29.

[10]See Ernesto Laclau, "Feudalism and Capitalism in Latin America," *New Left Review* (May-June, 1967).

[11]*Capital*, Vol. III, pp. 771-772.

[12]Brian Fegan, *Rent Capitalism in the Philippines.*

[13]Quoted by Palma in *World Development* (Vol. 6, 1978). p. 892.

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[18]Cheryl Payer, *The Dept Trap: The IMF and the World Bank*, England: Penguin Books, 1974, p. 62

[19]Rafael Espiritu, "Situation of Rural Workers in the Philippines," (Rural Workers Office. Ministry of Labor and Employment, 1980) p. 7.

[20]See Yoshiko Nagano-Kano, *The Structure of the Philippine Sugar Industry at the End of the American Colonial Period* (Quezon City: UP Third World Studies Commodity Series No. 3), 1981.

[21]See Rigoberto Tiglao, *The Political Economy of the Philippine Coconut Industry* (Quezon City. UP Third World Studies Commodity Studies No. 1, 1980).

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2 Merlin M. Magallona

A Contribution to the Study of Feudalism and Capitalism in the Philippines

Some Methodological Issues

The subject of feudalism and capitalism at once suggests a basic question of method. Since the first form of production of settled societies is directly bound up with land, one might be tempted to examine economic categories involved in agricultural production in the sequence of their historical development and proceed to inquire into the concrete manifestations of change from feudal to capitalist relations. This historical presentation may assume a smooth continuity, in the sense that it considers the previous forms of economic categories (as ground rent, for example) as mere logical steps to the latest phase of its development. In this one-sided way, this method holds the danger of obscuring the essential differences in social relations presupposed by each historical form which an economic category takes in the succession of modes of production. While it is true that the study of economic categories in their present state, as noted by Marx, "allows insights into the structure and the relations of production of all the vanished social formations out of whose ruins and elements [bourgeois society] built itself up",[1] relations derived from earlier forms of production may appear at present in their stunted or distorted form and their function subject to laws peculiar to earlier modes of production. At any rate, such method may overlook historical differences and view economic categories without regard to their qualitatively different presuppositions in various historical stages.

The key method in the investigation of these categories is to be determined rather by the fact that "in all forms of society there is one specific kind of production which predominates over the rest, whose relations thus assign rank and influence to the others. It is a general illumination which bathes all the other colours and modifies their particularity. It is a particular ether which determines the specific gravity of every being which materialized within it".[2] In this method, it would be erroneous –

> to let the economic categories follow one another in the same sequence as that in which they were historically decisive. Their sequence is determined, rather, by their relation to one another in modern bourgeois society, which is precisely the opposite of that which seems to be their natural order or which corresponds to historical development. The point is not the historic position of the economic relations in the succession of different forms of society... Rather, their order within modern bourgeois society.

The development of society to its mature form consists in the process of subordination of all its elements to that preponderant mode of production. Hence, it is in the nature of capitalist society that within it,

> Agriculture more and more becomes merely a branch of industry, and is entirely dominated by capital. . . . Capital is the all-dominating economic power of bourgeois society. It must form the starting-point as well as the finishing point, and must be dealt with before landed property.[4]

Agricultural production then must be studied in its present organic connection within the existing mode of production as dominated by capital. This preponderance, however, does not mean that all relations have already been subordinated to it in equal measure. The uneven development of society provides room for the inter-penetration and overlapping of different forms of production relations.

When feudalism was imposed in England by the Norman conquest, "its form was impressed on what was in many respects a different social foundation", and thus "relations which were far removed from the nature of feudalism were given feudal form".[5] Feudal form may be given capitalist content, as in the Peasant Reform of 1861 in Russia, which "emancipated" millions of peasants from the old corvee system of farming and delivered them to a system of services and payments for the redemption of their own lands, in the service of nascent capitalism. In the development of capitalism in Russia, we see the interlacing co-existence of the strong remnants of feudal ties with the early forms of capitalist relations, in the lives of the working people: "the transition from the feudal to the capitalist mode of production in Russia gave rise... to a situation for the working people in which the peasant, being unable to obtain a livelihood from the land and to pay dues from it to the landlord..., was compelled to resort to 'outside employments', which at first, in the good old days, took the form either of independent occupations. . . , or labour which was not independent but, owing to the poor development of these types of employment, was comparatively well paid".[6] Whatever may be the form of land ownership or land tenure, capitalism achieves its domination. It penetrates agriculture even if it finds medieval and patriarchal land tenure of the most varied types: feudal, clan, communal, or small-peasant. Capital subordinates all these to itself, transforming them into the economic form corresponding to the requirements of this mode of production".[7]

Remnants of pre-capitalist forms of production cannot be isolated and treated separately from the whole living organism of society, but they are to be taken as links in the existing production relations, as integral parts of an economic system under the dominion of capital. Otherwise, as Lenin pointed out, we would be contriving a utopia "by senselessly plucking individual elements from various social formations – taking one thing from the medieval form, another from the 'new' form, and so on". Obviously, he said, "a theory based on this was bound to stand aloof from actual social evolution, for the simple reason that our utopians

had to live and act not under social relations formed from elements taken from here and from there, but under those which determine the relation of the peasant to the kulak. . . , of the handicraftman to the buyer-up, of the worker to the factory owner".[8]

On the whole, this preferred method is based on the general movement of society which consists of its transformation from natural components to forms and contents which are predominantly or purely social. In more specific terms, "[i]n all forms of society where landed property predominates, the natural relation is paramount. In those where capital is predominant the social, historically created elements prevail".[9] Beginning with the natural unity of labor with its material conditions, this historical process clears the way for the domination of capital by the separation of labor from the means and materials of its realization. This means the severance of the producer from the land, then the dissolution of both free small landed property as well as of the communal landed property, until he is stripped of any means of production – a stage where he could only dispose of his own person in the labor market "after he had ceased to be the slave, serf, or bondman of another". Hence,

> the historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, . . . But, on the other hand, these new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire.[10]

In this light, the problem at hand is centered on the development of capitalism. Whatever feudal remnants there may be in existence do not present the question as to whether the country is feudal or capitalist. Pre-capitalist remnants no longer operate as a system; the economic laws specific to the feudal mode of production no longer apply decisively. These laws have ceased to function as a whole mechanism, or what Lange calls the "mode of operation of the social formation".[11] The content and function of feudal forms of relations are now shaped or conditioned by the operation of economic laws specific to the capitalist mode of production. In brief, the development of the productive forces concommitantly with the relations of production has already reached a point where they mould a single law governing the entire mechanism of the social formation, in other words, its "basic economic law" determined by the force of capitalism.[12]

A Historical Background

Feudalism in the Philippines did not spring from the indigenous social organism as a necessary outcome of its inner motion. It came from an external source, a forcible interception into the natural process of social development. The onset of feudalism, resulting from the Spanish colonial impact, occurred during the era of waning feudal power; it was at the same time the mercantile stage of capitalist development in Europe. Feudalization of the Philippines as a modality of colonial

exploitation was not then a function of European feudalism as this had developed historically. Rather it formed part of primitive accumulation, of the formation of merchant capital. Thus, the advent of feudalism in the country was more in the service of nascent capitalism than of the declining feudalism in Europe. In the period of its eclipse, classical feudalism merged with the emergence of capitalism, and its colonial conquests at this stage did not add color to its twilight but "signalised the rosy dawn of the era of capitalist production".[13]

European colonialism was the consequence rather than the cause of the profound social and economic transformations in Western Europe – changes which were brought into motion by merchant capital. In turn, the expansion of foreign trade and the discovery and commercial exploitation of the colonies became the lever of emergent capitalism in that continent.

In Spain, as early as the fourteenth century, feudalism began its process of disintegration. This was characterized by political turmoil, marked by the bitter antagonism between the aristocracy and the towns. This period saw the transformation of the feudal monarchy into an absolute one. The towns already gained strong representation in the Spanish Cortes; commercial and maritime cities rose. The rising power of absolutism crushed the armed resistance of the nobles, who earlier assisted the monarchy in suppressing the liberties of the towns. The downfall of the main feudal classes – the nobles and the towns – consolidated the power of the monarchy.[14] The emergence of a centralized state out of the unification of Castile and Aragon in 1479 and the conquest of Granada in 1492, formed part of a general movement in Europe towards the elimination of political disunity inherent in suzerainty-vassalage relations of feudal Europe. As a result, political power was centralized in the absolute monarchy. By the second half of the fifteenth century, the victory of the monarchy was an accomplished fact all over Europe.

The rise of absolute monarchy – the last stage of feudalism – was "the progressive element in this universal confusion. It stood for order in this disorder, for the emerging nation as against fragmentation into rebellious vassal states".[15] It created the general political conditions for the stable development of commerce, the expansion of trade, and provided the critical support for colonial penetration into the "New World".

However, although "in other great States of Europe absolute monarchy presents itself as a civilizing center, as the initiator of social unity, . . . the laboratory in which the various elements of society were so mixed and worked, as to allow the towns to change the local independence and sovereignty of the Middle Ages for the general rule of the middle classes. . . . [i]n Spain, on the contrary, while the aristocracy sunk into degradation without losing their worst privilege, the towns lost their medieval power without gaining modern importance.[16] This feature, peculiar to Spain, considerably retarded its capitalist development. It bears great significance in explaining the slow pace by which the Spanish colonial impact created the pre-conditions for the development of capitalism in the Philippines.

Under the aegis of absolute monarchy, commodity production developed further, from handicraft to manufacture, and trade expanded to foreign markets.

In the first part of the sixteenth century Europe, particularly the Mediterranean, experienced a decisive stage in the growth of industries: "Commercial capitalism, its hey-day past, was being succeeded by an industrial capitalism that was to realize its full potential only with the latter, 'metallic' phase of the century".[17]

Although Spain became "the centerpiece of Europe's outstretched trade routes", its economy could not produce the manufactured goods for its domestic market and its colonies; it was dependent on the rest of Europe, with the consequence that Spanish bullion extracted from the colonies "reached the other countries of western Europe, . . . by the avenues of trade and finance, and there the merchants selling to the treasure-glutted Spanish market made the enormous profits which are the hall-mark of the economic history of the period".[18] Deeply indebted, Spain transferred its bullion to the financiers of Antwerp and the bankers of Genoa. It was on its colonial booty that Spain was able to maintain credit from the bankers. Spain itself was a colony of the financial houses.

Thus, colonial plunder did not stimulate Spain's industrial growth and no Spanish manufactured products could be expected to penetrate its colonies and develop a market there. Spain, together with Portugal, was bypassed by the accelerated pace of capitalist development in western Europe, Spain's own bullion –

> produced a rapid and stimulating growth of capital and a corresponding spirit of enterprise in the merchant and manufacturing elements in the western states. Not least among the manifestations of this spirit was the widespread growth of new industrial techniques and of new methods of financing them. This is the age of the so-called 'Industrial Revolution of the sixteenth century', and there can be no reasonable doubt that the new bullion played its part in inspiring and in financing the technical improvements, the enlargements of the unit of production and the marketing expansions of the age. There was an 'atmosphere of buoyancy, exhilaration and freedom from economic cares' which led to crisis and to hardships, but which was also a requisite for the economic and cultural vivacity of the sixteenth century.[19]

Via the financiers of Antwerp and Genoa, England was among the main beneficiaries of Spanish colonialism. Aside from systematic piracy, which it used to obtain "that share of the treasure which she could not get by loans and by trade", England gained considerable access to Spain's colonial riches, as exemplified by Gresham's efforts in raising financial resources for Queen Elizabeth:

> [Thomas] Gresham's career as the 'eminence grise des finances anglais' can be taken as exemplifying the way in which the affairs of the whole of western Europe, and of Elizabethan England in particular, turned on the current of New World bullion, via Seville and Antwerp, by the middle of the sixteenth century. Of the outstanding events in his career, which key up this picture, the chief is his voyage to Seville in 1554, in search of bullion. He had been sent to Antwerp in 1552 to negotiate substantial loans from the Fuggers [the leading bankers at Antwerp]. He was successful, and the loans were repaid within a year, after which the needs of the emperor absorbed all the Fuggers' capacity, and in 1554 Gresham was glad to accept a loan from the Fuggers and from some Genoese, the money to be collected in Spain. Here may be seen the manner in which even England shared in the bullion flow by means of loans on the Antwerp bourse; and the limitations imposed by Spain and the precarious balance of the Spanish economy. For Gresham in Spain so used the rates of exchange and so upset the credit of the Spanish bankers, that the banks of Seville had to suspend payments and he was at one time afraid that he had precipitated a general financial crisis.[20]

Significantly, England's industrialization quickened decisively in the period 1540-1640. Leaving Spain much behind in terms of capitalist development, "[t]he capitalist state which emerged from the English industrial revolution had reached what was essentially its modern form well before the end of the nineteenth century".[21]

It should occasion no surprise then that the Spanish colonizers did not develop export agriculture in the Philippines. Spain, largely an agricultural country, could not have been interested in absorbing export crops from its colony. Understandably, "it was countries other than Spain, particularly Britain and the United States, that found themselves in the best position to capitalize on the appearance of Philippine products in international trade", and hence "from the very beginning of commercial agricultural development in the Philippines, . . . export trade was dominated not by the colonizer but by foreign traders".[22]

The comparative position of British capitalist development with that of Spain seems to be telescoped in the fact that right in its own colony, whose resources Spain was incapable of exploiting, the British tried to seek access to the Philippines' raw materials and market as early as the middle of the seventeenth century and succeeded in placing that colony under their economic hegemony before the end of the nineteenth century.[22a]

Nature of Spanish Colonialism

Merchant capital – "the historical form of capital long before capital established its own domination over production" – fundamentally determined the objective function and result of Spanish colonialism in the Philippines.

In the hands of the merchants, capital is geared to circulation and its specific function is exclusively to promote exchange of commodities. The kind of commodities handled by the merchants is not an essential factor: "No matter what the basis on which products are produced, which are thrown into circulation as commodities – whether the basis of the primitive community, of slave production, of small peasant and petty bourgeois, or the capitalist basis, and as commodities they must pass through the process of exchange and its attendant changes of form".[23] Whatever may be the mode of production, merchant's capital acts as the very process of exchange, the medium of circulation. While it is the determining motive and purpose of merchant's capital to convert money into more money through the medium of purchase and sale of commodities, it is not geared specifically to control production, although its further development is towards the expansion of

production based on exchange-value and finally towards the complete domination of capital over production. But by itself, merchant's capital is not capable of effecting a transition from one mode of production into another.

Without the transformation of Spain's mode of production into a regime of capital, colonial trade remained predominantly controlled by the merchants and it was left to countries which had advanced further in their capitalist development, particularly Great Britain, to directly employ capital for the production of agricultural crops in the Philippines. Up to the eighteenth century, "Spain herself [had] little more than the role of a funnel through which manufactured goods produced beyond her border found their way to their final destination in the Caribbean, in Mexico, and in the highlands of New Granada".[24]

While it is suggested that Spanish colonial policy differed from that of the Portuguese in that it required settlement as against "trade to produce wealth" in the case of the latter,[25] it turned out that Philippine colonial settlement merely served as a more permanent modality for the same purpose as the Portuguese, except that it produced no wealth, or that the little wealth it produced served no productive purpose in the colony. It was consumed for the maintenance of the colonial government or in support of the comfortable lifestyle of the colonizers. In keeping with the mercantile character of Spanish expansionism, the wealth extracted from the colony was meant to be quickly transferred to the colonial power. As it happened, generally "the desire to colonize, to settle or even to organize production, came late, and was accepted reluctantly".[26]

Consequently, the Philippines also assumed "the role of a funnel" for trade. As soon as Miguel Lopez de Legaspi established colonial authority in Cebu in 1565, he at once made arrangements for direct trade with China. After his conquest of Manila in 1571, he extended protection to Chinese merchants, encouraged more of them to come, and granted favors to visiting Chinese ships.[27] The Manila-Acapulco trade, described as "the ultimate expression of [the] speculative basis of international trade" then, underscored the transhipment role of the Philippine colony: "Because of the inordinate value of silver in Asia and the inordinate demand for silk in Europe, Spaniards found it worthwhile to send silver to Manila and exchange it for silk, which would be sent back to Acapulco, transhipped to Vera Cruz, and then sent on to Spain".[28] The negative effect of this trade on capital accumulation in the colony is expressed in reports presented to King Philip II in 1586. In a memorial to the king, a councilor of the Indies regretted that the commerce between Spain and Mexico through the Sino-Philippine trade was causing a continuous flow of Spanish coins to China, resulting in a great loss of wealth to the colony.[29] A report of the licentiate of the Audiencia of Manila of June 30, 1586, complained of Spanish coins streaming into China. Chinese fabrics were re-exported to Mexico in large quantities, he said, constituting a grave threat to the Spanish colony and finances by pricing out home products.[30]

The entrepot nature of the Philippines, shaped by Spain's merchant capitalism, prevented the development of domestic industries and markets. The pre-colonial weaving industry, for example, which supplied "cotton fabrics with which [the natives] . . . clothed themselves, all from cotton of their own planting, was obliterated by the flood of Chinese goods. In a futile gesture, Governor General

Dasmariñas issued an ordinance prohibiting the "Indians" from wearing Chinese stuff in an attempt to resuscitate the native production of cotton cloth. But admittedly the "fault" was in Spain's colonial policy which rendered the ordinance a dead letter law: in the same year of the prohibition (1592) 28 ships from China came "with much merchandise, including very rich goods of silk".[31]

The uneven development of capitalism in Europe, particularly as between Spain and Britain, took its toll in the colonial economy. Still dominated by mercantilist policy, Spain did not have manufacturing exports to protect in its colony, as against any other European rival, and in the colony Spain saw no need to establish productive enterprises. On the other hand, Britain's dynamic capitalism was already turning out manufactures in search of expanded foreign markets.

The last decades of the eighteenth century and the first half of the nineteenth saw a limited broadening of capitalist development. The cultivation and manufacture of tobacco as a state monopoly opened the way to the commercial cultivation of rice for the tobacco regions. Sugar growing and manufacture expanded when this commodity became an export item. The textile industry in Bulacan came to life, producing cloth of cotton and silk. Trade grew in the provinces. Ilocos cotton was widely distributed. Pangasinan developed markets for sugar and salt in Ilocos, Cagayan, Nueva Ecija and Pampanga. Indigo from Bulacan was sold as far as Iloilo. Piña and sinamay from Iloilo and Camarines were distributed as luxury items everywhere. Abaca cordage was in general demand for ships' rigging. However,

> this little flowering of native industry and commerce was brief. By the 1840's the British were exporting manufactured goods to Asia as never before, and this time their textiles were no longer hand-woven Indian cottons but machine-made Manchester goods selling at prices with which no local cloth could possibly compete, except those of the highest quality. Moreover, the British and other foreign importers in Manila preferred to retail their goods through the Chinese, who were much better and more centrally organized, so that by the 1860's the Chinese [distributing foreign goods] had acquired that almost complete control over the retail trade of the Islands which they were not to relinquish until almost a century later.[32]

Spanish colonialism laid down the preconditions of capitalism. It transformed almost overnight and in a violent whole-sale manner the settled society then existing from subsistence economy, based on clan communalism, into a mass of landless serfs, whose labor did not yield surplus for capital accumulation. Colonialism was a watershed in that, tearing them asunder from their natural means of production, it placed them on the historic road to proletarianization. Side by side with this process, their landed means and materials of labor, which they shared communally, were suddenly transformed into private property, a monopoly in the hands of a few. Suddenly too, even as the colonial authority utilized the social structure of clan communalism as part of the colonial administrative machinery (as in the collection of tributes), the colonial impact stirred polarizing forces into motion and violently sharpened class conflicts in what had been a self-sustaining and stable tribalism. The dialectics of this historical process has given us the Philippine Revolution of 1896 – and its unfinished tasks today.

The heyday of merchant capital in Europe laid the groundwork for the rise of capitalism, and thus "the history of capital dates from the creation in the sixteenth century of a world-embracing commerce and a world-embracing market".[33] The radical changes in commerce and geographical discoveries, which accelerated the development of merchant capital, "constitute one of the principal elements in furthering the transition from feudal to capitalist mode of production".

> The sudden expansion of the world-market, the multiplication of circulating commodities, the competitive zeal of the European nations to possess themselves of the products of Asia and the treasures of America, and the colonial system – all contributed materially toward destroying the feudal fetters on production.[34]

But in this historical context, the first phase in the internationalization of capital seized the Philippines as colonial possession and implanted feudal structures, exhibiting a phenomenon where the integration of a precapitalist society into the initial stage of world capitalism expressed itself through feudal forms on the level of the concrete situation in the Philippines then. This precisely accentuates the uneven character of the development of the various parts of the world capitalist system thus emerging. It was a case of feudal relations but based on land which had already been transformed into private property. As soon as Spanish colonial authority was imposed, all tillable lands within its notice were declared the property of the Crown to be disposed of and held, as they were, on the basis of the Spanish land registration system based on the capitalistic conception of property.[35] Profit or surplus was pursued on a feudal basis through the mediation of the land which had become capitalist property. The operation of the new economic laws through land ownership had a profound effect on the native communalism and led to its disintegration: the communal leader, given the role of a tribute collector in the colonial administration, was transformed from a trustee of the communal landholding into a private owner of it. "During the seventeenth century the trend increased, more and more Filipino chieftains acquiring the actual title to the land that their dependents cultivated. This gradual adoption on the part of the Filipinos of the European principle of individual ownership of land is clearly one enduring consequence of economic Hispanization."[36]

Spanish colonialism as the expression of the mercantile stage of world capitalist development is to be differentiated from the colonial system which the United States imposed on the Philippines at the end of the nineteenth century. The latter is the specific manifestation of the global expansion of the already developed capitalist mode of production – capitalism which had already entered its monopoly stage.

By the second half of the nineteenth, the U.S. economy was characterized by extensive monopolization of resources, in which

> The last major change was the increase in the *scale* of economic enterprise, the concentration of production and ownership, the rise of an economy composed of lumps of rocks – trusts, monopolies, oligopolies – rather than a large number of pebbles.[37]

Giant corporations, mostly formed by combination, controlled entire industries of banking, finance, insurance, telegraph and telephone systems, water transport, mining, irrigation, publication, wholesale and retail distribution, "besides the control of almost all the larger manufactures engaged in supplying the prime necessities and the conveniences of the people."[38] By 1899 there were 350 trusts and combinations, which consolidated about 5,000 companies.[39] In Germany, England, France and other industrialized countries, monopoly became also the basis of economic life. By 1905 close to 400 cartels controlled diverse branches of the German economy. In France "trustification" spread to metals, glass, paper, chemical, textile and coal industries.[40] The first step in the cartelization of the world economy had already been taken. In the aluminum industry, the Aluminum Corporation of America (Alcoa) and the Swiss AIAG entered into a cartel agreement in 1896; three other producers joined this cartel in 1901. In 1904, the American Steel Trust and the steel producers in Great Britain, Germany, Belgium and France signed an agreement to regulate the output of steel rails.[41] By the first decade of the twentieth century, there were at least 6 large cartels in the world transport industry; 21 in mining and metallurgical industries; 14 in the chemical industry; 12 in the textiles; 7 in the paper industry; and 3 in the electrical industry. In addition, hundreds of international trusts existed, the biggest of which controlled the world petroleum, copper, steel, banana and explosive industries.[42] The giant banking syndicates were the prime movers of this internationalization:

> Behind all these cartels and trusts, as a rule, stand the enterprises that finance them, i.e., primarily the banks. The internationalization process whose most primitive form is the exchange of commodities and whose highest organizational stage is the international trust, has called into being a very considerable internationalization of banking capital insofar as the latter is transformed into industrial capital (by financial industrial enterprises), and insofar as it thus forms a special category: finance capital.[43]

The contradictions of U.S. capitalism in its imperialist stage, which colonial policy sought to resolve, found articulation through U.S. Senator Albert Beveridge when he advocated the annexation of the Philippines in 1898:

> We are raising more than we can consume. We are making more than we can use. Today our industrial society is congested; there are more workers than work; there is more capital than there is investment. . . Think of the tens of thousands of Americans who will invade mine and field and forests in the Philippines.[44]

This time colonialism was not merely a merchant's venture for "spice and silk"; it was a vehicle of capital's seizure of the colony's productive processes and resources.

On August 2, 1898, eleven days before the capture of Manila by the U.S. forces, the U.S. Secretary of State appointed a commissioner to "investigate and report on financial and industrial conditions in the Philippine Islands".[45] In the same year, Assistant Secretary of the Treasury Frank A. Vanderlip presented a glowing possibility for American capital:

> In the undeveloped resources of the Philippines the sanguine radicals see a great opportunity for our genius. They recognize that in a decade we might make a change greater than has been wrought since Magellan's discovery until the present time. They see great development companies formed to cultivate tobacco and sugar by modern methods, others formed to test the richness of the unknown mineral deposits, and still others to develop transportation or to reap the treasures of the forest.[46]

The inaugural address of W. Cameron Forbes as governor general in the Philippines in 1909 had a contemporary ring on the role of foreign capital in the development of the Philippines:

> Capital demands a stable government. Capital is not particularly interested in the color or design of the flag, it wants just and equitable laws, sound and uniform currency on the part of the government, just and fair treatment in the courts. The faith of the United States is pledged that all of these benefits shall be permanently assured to the Filipinos. . . The government should offer every reasonable inducement to capital and should make more liberal the land and mining laws and lessen the restrictions which are at present discouraging investors.[47]

The methods of economic exploitation acquired sophistication under the new colonial power, giving it effectiveness in developing profitable markets for American products on a long-term and stable basis demanded by mature capitalism. The policy of "the Philippines for the Filipinos", which William Howard Taft proclaimed when he became governor general of the Philippines, entailed the promotion of the natives' standard of living and educational status but insofar as this was good business "in the sale of American goods to the eight millions of Filipinos". Taft himself explained how the needs of the people could become the very basis for markets:

> The promotion of their material and intellectual welfare will necessarily develop wants on their part for things which in times of poverty they regard as luxuries, but which, as they grow more educated and as they grow wealthier, become necessities. The carrying out of the principle, "the Philippines for the Filipinos" in first promoting the welfare, material, spiritual, and intellectual of the people of these Islands is the one course which can create any market here among the people for American goods and American supplies that will make the relation of the United States to the Philippines a profitable one for our merchants and manufacturers.[48]

American investments in the colony were concentrated in agricultural export crops and extractive industries. Free trade relations broadened the utilization of land resources for the production of sugar, copra, and hemp for export to the United States. The free exchange of goods without tariff from 1909 to 1934 structured the colonial economy into a pattern of dependence, as exemplified in the development of the Philippine sugar industry during the American colonial era.

Among the most influential sectors of the U.S. economy which advocated the annexation of the Philippines was the Sugar Trust, or the American Sugar Refining Company, which in the 1890s was the sixth-largest U.S. corporation, controlling 98% of the sugar refining industry. Its political fortune was considerably boosted when William McKinley, one of its strongest supporters in the U.S. Senate, was elected to the presidency in 1896, with its generous contributions to his campaign funds.[49] The God-given inspiration that impelled President McKinley to annex the Philippines must have been so irresistibly sugar-coated that he decided overnight "to put the Philippines on the map of the United States".[50]

Aside from the fact that the sugar industry was the leading beneficiary of free-trade policy, the early colonial administration gave heavy direct assistance to the development of sugar lands and the establishment of sugar centrals. As a result, within a brief period "sugar centrals in the Philippine Islands grew up and multiplied like mushrooms".[51] At the start of the 1930s, American investments in the Philippines then were largest in sugar centrals and refineries (in the productive sector). By then the Philippines had become the fifth largest sugar-producing country in the world.[52] Of the total Philippine sugar exports, 97.79% went to the United States.[53]

The same pattern developed in the coconut, abaca, and tobacco industries. In the late 1930s, the Philippine coconut industry provided one-third of the world supply of copra and was dominated by American investments. Ninety-seven percent of the coconut-oil export went to the United States.[54] These four major export industries contributed 90% of the total value of Philippine exports.[55]

On the other hand, the Philippines became an almost exclusive market for U.S. manufacturers. The share of the United States in Philippine imports was only 9% in 1899; by 1933 this increased to 64%. During the same period, Philippine exports to the United States rose from 18 to 83%. On the whole, the transformation of the Philippines into an almost exclusive preserve of American business is shown by the fact that U.S. share in total Philippine foreign trade amounted to 72% by 1935, a sharp increase from only 11% in 1900, 41% in 1910 and 65% in 1920.[56]

The pattern of backwardness which emerged is linked to the general tendencies of monopoly capitalism. As Lange has explained –

> with the development of large capitalist monopolies in the leading capitalist countries, the capitalists of those countries lost interest in developmental investment in the less developed countries, because such investment threatened to cause competition with their established monopolistic positions. Consequently investment in underdeveloped countries of capital from the highly developed acquired a specific character. It went chiefly into the exploitation of natural resources to be utilized as raw materials by the industries

> of the developed countries, and into developing food production in the underdeveloped capitalist countries. . . . In consequence the economies of the underdeveloped countries became one-sided, raw materials and food-exporting economies. The profits which were made by foreign capital in these countries were used not for reinvestment in these countries but exported back to the countries where the capital came from. . . . These profits were not used for industrial investment on any major scale, which we know from experience is the real dynamic factor of modern economic development.[57]

Such was the colonial mechanism of the international division of labor then operating, in which the Philippines, sharing the fate of the colonial and semicolonial regions of the world, was consigned to monoculture specialization, the production of one or a few primary commodities, and to be the market for the manufactured products of the colonial powers. As in the case of the Philippine sugar industry, the colony's "comparative advantage" came about not so much by natural conditions as by political and economic power. The traditional problems of underdevelopment are rooted in this *old* international division of labor, which had been also the basis of the now generally outmoded imperialist strategy of promoting the agricultural and raw-materials-producing sectors of the colonial economy and preventing its industrial growth. Even after formal independence in 1946, the Philippines was to remain within the framework of this international division of labor until about the end of the 1960s.

The political turmoil in the decade of the 1970s, ushered in by the declaration of martial law, assumes great significance as the political mechanism for the radical shift of the Philippine economy (and of society on the whole) to the *new* international division of labor, under the aegis of foreign monopoly capital. The main substance of the changes during the martial-law regime is the re-orientation of the national economy from its colonial structure into an industrial neo-colony. The old colonial relationship based on raw-material-finished product exchange is undergoing a change; it is being transformed into technological links of dependence. The reorganization of the Philippine economy entails the expansion of the manufacturing sector. It involves the tremendous build-up of the country's industrial productive forces to meet the requirements of transnational corporations (TNCs) and the major capitalist countries for labor-intensive, low-cost commodities. The extent of the transformation which the Philippines is experiencing cannot be overestimated. Its impact is the break-up of the colonial framework of the economy as moulded by the old international division of labor, and the disintegration of the strong remnants of feudal relations which have obstructed the more accelerated advance of capitalist production in agriculture. This explains the thoroughly anti-feudal thrust of the "New Society" whose agrarian reform program speeds up the expansion of agribusiness investments as it at the same time aims to defuse the social pressure exerted by the struggle of the peasant masses for meaningful changes. Martial law has enthroned finance capital which has re-organized the economy into a manufacturing base of international monopoly, supplying them with labor-intensive completed products or components and parts on the basis of the cheap labor power of the Filipino masses.

The new international division of labor re-casts the role of the Philippines in the world capitalist economy and closely integrates its human and material resources to the global production-line of the TNCs. As the country now moves into closer interconnection with the industrial system of the TNCs, its economy is increasingly being transformed into a stage or phase of the assembly-line of that system. As it moves from the narrow orientation of its internal market into an integrated global market of individual TNCs, its economy will cease to be national; it will be converted into an extension of the economy of Japan, the United States and the West European industrial countries.

New International Division of Labor: Form and Content in the Philippines

The whole strategy of development adopted by countries like the Philippines under the new international division of labor (NIDL) is succinctly summarized by the recent report of the Citibank of New York in its annual survey of world labor costs. Referring to countries along the model of South Korea, Taiwan and Brazil, after which the Philippine economy is being tailored by the World Bank and the IMF, the report said: "The key to growth for the new industrializing countries (NICs) has been their lower wage rates". It underscored the fact that the emergence of these countries largely reflect the levels of labor compensation far below those in the developed capitalist countries.[58]

Based on cheap labor, the TNCs have mobilized their resources in building up the capacity of the capitalist-oriented developing countries to manufacture labor-intensive products at the lowest cost possible. Since the larger component in the cost of production of these products consists of the wage cost, exploitation of cheap labor becomes the most decisive factor in the competitive position of TNCs' products in the world market. So considerable is the wage differential between the industrial capitalist countries and the developing countries that given the high inflationary rate in the former, the wage cost spells the question of survival of the TNCs.

Reflecting at the same time the expansion of agribusiness capital, the trend of TNC investments is represented by the case of Del Monte which has shifted its investments from Molokai, Hawaii to the Philippines. As explained in a document published in the U.S. *Congressional Record* (Senate):

> The main concern that Del Monte and other corporations are abandoning their Hawaii production is the cheap cost of labor elsewhere. While Hawaiian plantation workers earn $2.64 an hour, Del Monte pays its Philippine workers 15 cents an hour. Hawaiian cannery workers get paid $2.69 an hour compared to the 20 cents Del Monte pays Philippine workers for the same job. Even if all other costs of production remain the same in the Philippines, Del Monte saves 47 percent in canning pineapple there rather than in the United States.[59]

Such relocation of agribusiness investments would then have the advantage not only

of cheap labor; their backward integration into direct agricultural production is assured in the possibility of expanding plantations to be operated on the basis of modern technology and wage-labor, in which feudal personal relations have no place. Production of food crops has considerably diversified, expanding into non-traditional products such as banana, cocoa beans, soybeans, mushroom, cotton, potato, feedgrain, ginger, and breeding seeds. Land resources in the home countries of the importing foreign corporations are becoming limited, aside from the fact that agricultural labor in those countries has decreased considerably. In this light, the Philippines is now being transformed into a backyard garden of Sumitomo, Standard Fruit, United Fruits (re-named United Brands), Del Monte, and Fuji Fruits for banana;[60] Nestle for coffee;[61] Hershey Foods for cocoa;[62] Cargill for breeding seeds[63]; Firestone, Goodyear, and Goodrich for rubber; and Dole and Del Monte for pineapple. Martial law's General Order No. 47 has opened Philippine agriculture designedly for corporate farming. Originally planned to enable big commercial and industrial corporations to raise cereals for their own employee force, this program now benefits more than 200 corporations which are producing rice, corn, soybeans, mongo, and other crops, on some 56,000 hectares of arable lands, using modern scientific agricultural methods including full mechanization and aerial seeding.[64] Corporate farming is now open to textile mills for the production of cotton.[65] TNCs covered by the corporate farming program include Minrico (United Brands), Reynolds Aluminum, Philippine Refining Company (Unilever), and Filipinas Synthetic Fibers (Teijin).

A concrete example of how Philippine agricultural production is turned into a food system of the TNCs may be illustrated by the supplier agreement between the Philippine Integrated Meat Corporation (Pimeco) and Armour & Co., by which the latter TNC transfers meat-processing techniques to a local corporation which in turn supplies processed meat products, bearing the Armour brand, for Armour's market in Hongkong and Europe. With a minimum of equity participation, Armour is able to utilize a complex of resources in the Philippines. As announced in the press, Armour negotiated the supplier agreement on account of high production cost in the United States, its home country.[66] The relocation of its manufacturing to the Philippines, a low-wage developing country, may be the only mode of profitability in the world market. On this same basis are the arrangements of Purefoods with Hormel International and of RFM Corporation with Swift & Co.[67]

It is then significant that the World Bank has considered meat production as one of the agribusiness areas which has a high potential for export development, and for this reason granted loans for the government's cattle financing program.[68] Of special interest is the scheme of raising cattle: the government now maintains a financing program for its nationwide *bakahan barangay*, by which small farmers obtain loans from rural banks for the purchase of a few heads of cattle.[69] The Development Bank of the Philippines has a complementary program; it has liberalized its "*backyard* cattle-fattening financing on a nationwide basis.[70] It also finances the raising of beef cattle under the coconut trees by small farmers.[71] These lending programs are funded by World Bank loans. Through the operation of the livestock auction market, the success of cattle production in this manner could benefit large meat-processing, export-oriented firms. Aside from its cost-cutting implications, which might be preferable to large-scale cattle raising, the *bakahan barangay* or backyard cattle-production becomes the medium of reinforcing the play of market forces on the lives of rural families, thereby drawing them faster into the cash nexus of capitalism.

There is an indication that this scheme is being tried in milk production. Carnation has financed a *baka-unlaran* project, a backyard production of upgraded cows through artificial insemination, for local milk production.[72]

Describing the expanded integration of transnational agribusiness, George wrote that –

> . . . big food firms are integrating backwards, forwards and sideways; they are merging, diversifying, extending, concentrating and conglomerating; food companies are moving into non-food as non-food companies move into food. They are not merely taking over farming itself, but are producing the cardboard boxes and tins to put their products in, producing their own TV ads, snapping up whole supermarket chains and devouring small competitors who never had a chance.[73]

This process takes place not within one country alone, but on a global scale. The expansion of a TNC, such as that in agribusiness, consists of various phases of internationalization of its productive and distributive facilities – component parts operating in the framework of a common global strategy and control. Its headquarters, located in the United States, Japan, or England, makes the major decisions relating to investments, markets, and intra-company pricing. Although located in different countries, its plants and subsidiaries or affiliated companies are "as much a part of the same production chain as two assembly lines housed in separate buildings in the same factory. The patterns of their trade are set not through a series of bargains struck by free or impersonal competition but by management's decision on where to locate its plants, and what the task of each affiliate should be".[74] Its Philippine agricultural production could just be one of its corporate operations, a section in its raw-materials or agriculture-based products division. In this context, too, Philippine agriculture is more closely integrated to the TNC production line.

Through various forms of mediations, including feudal personal relations, a Filipino farmer who fattens a head of cattle in his backyard or raises beef cattle in the coconut plantation of his landlord, or cultivates sorghum for feedgrain export on cash-rent basis, becomes merely an incident of a larger decision initiated by big corporations. The changes in the material basis of his life are determined by the operations of capital even as he continues to see his immediate exploiter in the image of a feudal landlord; "the subordination of [his] labour to capital is covered up by thousands of the remnants of medieval relations, which prevent the producer from seeing the essence of the matter".[75] The reality is that the character of a major part of the peasant's earnings is now controlled by forces brought into motion by the investment of capital, and he is compelled to work for the market. It is the nature of capital acting on outmoded relations to take hold of production on the old basis, "creating a dependence that, however dif-

ferently it expresses itself (whether in the form of usury capital or of the capital of the buyer-up, who monopolises marketing) – always leads to an enormous part of the product of labour falling into the hands of the owner of money and not of the producer. Hence, it is purely capitalist in essence. . ."[76]

Thus, it must be emphasized that the main problem of Philippine agriculture is the domination of capital. It has seized the land resources of the country and is organizing them into the "rationality" required by foreign monopoly capital. It has gone a long way in its transformation "from a dominant force on the market into a dominant force in production". Recognition of this reality is of great political importance. It enables us to see clearly how capital in the hands of both the local and foreign monopolies, is destroying the small producers, ruining their independent means of production, and turning them into landless and propertyless workers. Already, the peasantry is undergoing a process of stratification, dividing the peasant masses into various gradations of "rich" and "poor", which will inevitably lead to the formation of antagonistic classes typical of capitalist society. A scientific method for the liberation of the peasant masses (from both the remnants of feudal forms of exploitation and the dominant capitalist form) calls for the determination of the politically accurate form of class contradictions which are now being accentuated rapidly through the oppression of finance capital.

It is a grave political error to underestimate the capacity of the peasant masses, given the developments reviewed above, to understand the necessity for independent, conscious political action against the various forms in which the domination of capital expresses itself, and thus it is a backward view to consider feudalism as the so-called social base of imperialism. This notion stands the danger of sharing the position of the Narodniks who were, to quote Lenin, "merely upholding *medieval* forms of capital against the onslaught of its latest, purely bourgeois forms". In the succession of social formations, the development of capitalism, starting with its intermediate phases which grow into its state of complete domiannce, necessarily dissolves the feudal mode of production, particularly its "social base" if this is interpreted to mean its class basis, which is its active force. In this sense, the contradictory position of these two modes of production must be stressed. And if imperialism is "the highest stage of capitalism", it is simply amazing how it got there without eroding away the landed aristocracy as the base of the feudal economic system. It is a great wonder how imperialism which is made possible by highly developed productive forces could stand on historically backward feudal classes. Imperialism came into being on the vehicle of a feudal class! In perspective, it might be useful to recall that the revolutionary changes which marked the transition of the feudal social formation into bourgeois society became historically possible through the radical shift of political power from the absolute monarchy (the highest stage of feudalism) to the bourgeoisie. This should emphasize the politically active antagonism between the two modes of production. Thus, it does seem that the notion of feudalism as the social basis of imperialism is not the result of scientific political analysis. What might be referred to by this idea is the situation in which the degree of the development of capitalism, as noted by Lenin, "does not embrace [yet] *all* social-economic relations in the countryside. Alongside of it we still see feudal relations – in both the

economic sphere . . . , and still more in the social and the juridical-political sphere . . . The capitalist basis of contemporary relations should not hide these still powerful relics of the 'old-nobility' stratum which have *not yet been destroyed* by capitalism precisely because it is undeveloped".[77] But this does not present the question as to whether the economy is feudal, or, in the case of the Narodniks with respect to Russia in the second half of the nineteenth century, whether it is "backward". In combating Narodism, Lenin insisted that the question involved was "the successive stages of the development of this bourgeois economy" and that the ruling stage in the development of agriculture in Russia then was the domination of capital. Thus, it appears that the proponents of this "social-base" theory find kinship with the Narodniks.

The "social-base" theory emerged during a particular period when U.S. imperialism had already taken a strongly anti-feudal position. Shortly afterwards, wih the declaration of martial law, the Marcos military-technocratic regime pushed through a program for the liquidation of landlordism aimed at "the emancipation of the tiller of the soil from his bondage". Because of martial law powers Marcos succeeded in overcoming the traditional opposition of the landlord class. Was Marcos then smashing the social base of imperialism? If so, did the Marcos government considerably erode away the social base of imperialism? Imperialism under the Marcos regime must have been reduced to a "paper tiger"! But the fact is that the Marcos government launched its anti-feudal agrarian reform to remove outmoded socio-economic relations which obstruct the fuller offensive of monopoly capital into Philippine agriculture and to defuse the strong revolutionary potential of the organized peasant masses. The significance of agrarian reform to the character of neo-colonial industrialization is outlined in the following discussion.

The nature of the Philippines' role in the world capitalist economy may be disclosed in the light of the extensive internationalization of the productive forces and relations. By about the middle of the 1960s, international trade had become largely a function of international investment, thus indicating the subordination of the flow of commodities to the movement of capital. Sales of TNCs' foreign affiliates far surpassed the value of goods exchanged in traditional commodity trade. Production in foreign-based plants exceeded world exports.[78] In the case of US-based TNCs, their delivery of goods from foreign plants is about six times larger than conventional exports.[79] In 1970, traditional exports of US parent TNCs totalled $11.4 billion, while exports of their majority-owned foreign affiliates amounted to $24.2 billion.[80] A very substantial proportion of international trade is managed or controlled by the TNCs in that exchange of goods takes place within their global network of subsidiaries and affiliated companies (intra-firm transactions). The extent of such control is suggested by the fact that about

> 46 per cent of imports to the United States in 1974 were intra-firm transactions and were almost equally divided between United States and non-United States firms. Roughly 50 per cent of United States exports in 1970 were within transnational corporation systems. There are also data to indicate that 29 per cent of Swedish exports in 1975, 30 per cent of United Kingdom exports in 1973, and 59 per cent of Canadian exports in 1971 were on an intra-firm basis.[81]

This shows that the world capitalist economy had increasingly shifted from export of commodities to export of capital. In this internationalization of capital, a new division of labor has emerged. Third World countries which are of capitalist orientation are being converted into industrial adjuncts of the leading capitalist countries. They are deliberately tailored to a specialized role: production of labor-intensive commodities for export. This division of labor entails the relocation of consumer or light industries from the major capitalist countries to Third World countries. In the words of Meier, speaking for the developed capitalist countries and the TNCs, the role of the developing countries is to produce and export "products of unskilled labor-intensive and technologically-standardized industries, leaving for the more advanced industrial countries the specialization in R&D-intensive, high skills, and high technology dynamic industries".[82]

Labor-intensive manufacturing in Japan has become less competitive, particularly as against the same line of products manufactured by low-wage developing countries. The pressure of rising labor cost and lack of land for industrial sites aggravates the inter-capitalist contradiction precipitated principally by the entry of U.S. capital into Japan. Hence, Japan is undergoing industrial re-organization; it is gradually phasing out its labor-intensive industries and relocating them to cheap-labor countries, such as the Philippines and the other ASEAN countries which can be developed to set up such industries with the help of Japanese capital. While Japan builds up the industrial facilities of the neighboring neo-colonies for the production of its labor-intensive, low-cost imports, its industrial structure is shifting emphasis to "knowledge and technology-intensive industries" and "high-grade commodities".[83] The proliferation of Japanese-dominated joint-ventures in the manufacturing sector of the Philippines points to the development of labor-intensive industries in the Philippines as integral to the Japanese economy. Such industries are extensions of Japan's industrial system, located in the Philippines. Hence, when Japanese capital speeds up economic and financial aid to develop labor-intensive, low-cost industries in the Philippines, it is virtually building up the labor-intensive sector of its economy now relocated to the Philippines.

Emerging now as the principal modalities of the NIDL in the Philippines are industrial complementation and international sub-contracting. In this respect, it is to be emphasized that the TNCs view the re-structuring of the Philippine economy along the NIDL as forming part of the internationalization of their production cycle. The new feature of this phenomenon is not so much the manufacturing of *completed* products by the TNCs' subsidiaries or affiliated companies, as the processing or sub-assembly of *components, parts,* or intermediate products. This involves the relocation in the Philippines of incomplete stages or phases of the whole production cycle. In the internationalization of the TNCs' production line, the Philippines is allocated specific components or parts to be manufactured, which are then consigned for export to the same TNCs which control the whole production cycle.

The development of the electronics industry in the Third World typifies the pattern of industrialization in which countries like the Philippines become merely the geographic site of "offshore" operations of TNCs. The industry, as it operates in the Philippines, consists of "expatriate" plants which are integral

to the manufacturing facilities located in the TNCs' home countries (such as the United States and Japan). The segments of the whole technological process which are considered labor-intensive are operated by the expatriate plants in order to realize lower-cost sources of supply. For example, since the assembly-testing phase in the manufacturing of electronics products constitutes the most routine and labor-absorbing phase of the technology, "it was found that the assembly-testing phase. . . was predominant in the operations of these TNCs in developing countries. The core technology phases of mask-making and wafer-fabrication are virtually non-existent in those operations, being entirely executed by each [TNC] firm in the primary markets in the United States and Europe".[84] Components and devices are "exported" by the TNCs based in the United States, Japan, or West Germany to their "expatriate" or "feeder" plants in the Philippines and imported back after the assembly-testing operations.

Thus, the electronics industry in the developing countries has developed on the initiative of the TNCs to take advantage of cheap labor and "not to respond to the needs of the market of the developing countries concerned".[85] Accordingly, it is on the basis of the TNCs' need and initiative that the leading electronics-producing developing countries like the Philippines "have shaped their foreign investment, tariff, tax and labour policies".[86]

In the Philippines, the electronics industry consists of the relocated or offshore assembly operations of TNCs, such as Texas Instruments, Fairchild Semiconductors, Motorola, Telefunken, and Timex. By the end of 1981, it had become the leading non-traditional export of the country, with "exports" of electronics products increasing more than ten times in a period of only four years since 1973, from $11 million in that year to $124 million in 1977.[87] More TNCs in electronics are transferring to the Philippines from Taiwan, South Korea and Singapore as wages here are even lower by 15%.[88]

In the automotive industry, thousands of workers are being laid off by US manufacturers from their plants located in the United States, as they prepare to relocate their industrial facilities to low-wage countries. Ford Motor, for example, announced it would close down all but one of its 17 manufacturing plants in the US, which would result in the lay-off of about 42,300 workers.[89] In a complementary move, Ford also disclosed that it will increase investments in Asia, including the Philippines, amounting to $120 million a year through 1985, with increase in volume of production from 180,000 in 1980 to about 300,000 vehicles a year by 1985.[90]

Amidst the deepening crisis in the US economy, the contraction of the market (in the car industry, for example) has exacerbated inter-capitalist contradictions in which the crucial factor is the wage level. The sharpened competition between the Japanese auto manufacturers and their American competitors is taking place right in the United States where the Japanese have cornered more than 22% of the market. Japanese competitiveness lies in the wage differential: in the US the hourly pay average is $11.57, as compared to Japan's $6.15. A Harvard University study estimates the Japanese total cost differential at $1,560 per car.[91] As a way out, there has been a rush to relocate production facilities to countries where labor is cheap. American auto technology experts predict that US manufacturers would

be buying some 25% of auto parts from low-cost countries by 1985 and this would increase to 35% by 1990.[92] Relocation of various segments of auto manufacturing on the part of the Japanese and European auto-makers has been in progress, cutting down the expected American advantage in relocation.

Initiated by the TNC auto manufacturers, the Progressive Car Manufacturing Program (PCMP) in the Philippines forms part of that relocation movement towards low-cost countries. Aside from the cost-cutting advantages accrueing to the TNCs in the exploitation of cheap Filipino labor, the technological and industrial implications of the PCMP have the effect of structuring the motor-vehicle industry in the country into the requirements of international sub-contracting, in which Filipino firms are reduced to parts and components manufacturers. In fact, these Filipino sub-contractors are tailored uniquely to TNCs' technical specifications. In the language of the Board of Investments (BOI) –

> The end-product assemblers/manufacturers [the TNCs] would serve as the focal points through which engineering, managerial, management and financial assistance would be extended by international companies to domestic parts makers to enable the latter's products to comply with international quality standards.[93]

On the same basis, motorcycle and truck parts manufacturing is also being encouraged.[94] Production of components and parts for heavy equipment and other machinery is expanding.[95] Various sectors of foreign monopoly capital are moving in to develop branches of Philippine industry along their procurement needs for components and parts on sub-contracting basis. The United Kingdom Trade Agency would like Filipino manufacturers to actively pursue the production of camera, television, electronic and electrical components and parts.[96] The local subsidiary of Kodak is expanding export trade in camera components and accessories.[96a] General Motors Philippines has announced the expansion of components and parts for the local diesel engine manufacturing program.[96b] In the automotive industry, Ford's Fiera vehicle alone has given rise to 33 Filipino supplier enterprises, subsisting on procurement orders from Ford.[97] The Singer Co. of Stanford, Connecticut (U.S.) is in search of Filipino sub-contractors which can supply electronic assemblies on a long-term contract basis for the Singer electronic products.[98] General Electric is offering about 1,000 parts and sub-assemblies of home appliances, electronic and other electrical products to Filipino manufacturers under long-term sub-contracting arrangements.[99] Siemens of West Germany has also confirmed its plan to have sub-contracting projects in the Philippines.[100] An international sub-contracting venture calls for the manufacture of parts and components of a whole product by a Filipino small or medium-scale enterprise on contract from a big foreign corporation. It has become the basis of the Philippines' export program for the 1980s.[101] It is being encouraged by liberal financial assistance.[102] A government office has been set up to promote sub-contracting, the Manufacturers Subcontracting Development Office in the Ministry of Industry.

With the utilization of cheap labor as the main rationale, international sub-contracting is attractive to big foreign firms for a number of reasons. It enables

them "to adjust more quickly to fluctuations in demand – suppliers can be dropped during a downturn and sought out during a sudden upswing" and therefore it "cushions the effect of sudden changes in market conditions".[103] Scarcity of capital may compel a foreign firm to prefer subcontracting as it can "concentrate scarce funds in the core production process" putting out as many parts as possible to subcontractors.[104] It would be an advantage to have a sub-contractor in the form of a small-scale enterprise, as "small firms are better able to evade the institutional pressures", such as requirements on wages, social security, and trade unions.[105] In other words, a Filipino sub-contractor operating as a cottage industry, for example, could offer a foreign company lower production costs since this type of business is not subject to the minimum wage law and it is outside the framework of the trade-union movement.

If small-scale enterprises of this kind become the basis of a nationwide pattern which would characterize the national economy, as is now shaping up in the *Kilusang Kabuhayan at Kaunlaran* (KKK), sooner than we expect the Philippines would be the leading sweatshop of the TNCs and the Filipino working masses their modern coolies. The true character of the KKK is just beginning to emerge. Predictably, sub-contracting by foreign companies will be the only viable basis of its prospect. Bloomingdale's, the largest chain store in the U.S., is already trying the market for KKK products with an initial purchase worth $5 million.[106] K-Mart USA has placed a $10 million order for toys, with a commitment for another $10 million purchase for its 1983 toys requirements.[107] Will KKK projects be set up without the markets in sight? Or will the markets – the procurement orders of big foreign companies – create the KKK projects? Inevitably, foreign capital will be the decisive force which will determine the commodity content of KKK as one large sub-contractor, which will further sub-contract foreign orders to its individual projects. The over-all result is that the Filipino workers in KKK projects – without the benefit of the minimum wage and the organized strength of trade unions – will supply their low-priced labor and foreign capital will reap the high profit.

"Sub-contracting and the use of outworkers are growing and are excellent ways to encourage small industries, particularly outside Manila", the World Bank has emphasized.[108] The initiative for the re-structuring of the Philippine industry on international sub-contracting basis centers on the World Bank. Its industrial survey mission pointed out the need to develop the capability of Philippine enterprises to undertake sub-contracting work as required by big foreign corporations.[109]

The fuller political and social implications of neo-colonial industrialization outlined above belongs somewhere else.[110] In relevance alone to the feudalism-capitalism question, it must be stressed that the development strategy of imperialism based on the exploitation of cheap labor in manufacturing would require a tremendous supply of labor power whose response to the gravitational pull of the burgeoning labor-intensive manufacturing industries is breaking down whatever is left of the feudal integuments. This should not impart the idea of peasants flocking to urban centers to get employment, for right in the far-flung rural villages, the broadening spread of sub-contracting is making itself dominant. For example, in the garments industry, which is basically "a sub-contracting, re-exporting" industry,

stages of sub-contracting, initiated by foreign companies based in the U.S., involve a large number of rural families. In fact, out of an estimated total work force in this industry of 500,000 only about 15,000 of these are full time factory workers, and "the greater bulk of the labor force engaged in garments are cottage industry workers paid on a piecework basis". They are rural workers whose income from this source constitutes about "70 or 90 per cent of the total income of some farm families".[111]

Many of the labor-intensive manufacturing industries are going into backward integration to minimize imports of intermediate materials. Aware that the intensification of export industrialization is giving rise to the problem of increasing import payments, the World Bank has recommended that the import bill of these industries be reduced "through development of backward linkages for existing products, and the development of new export products based on more domestic resources".[112] Thus, for example, the "rationalization" of the textile industry is to be achieved as a linkage to the garments industry and in turn the textile industry would have to develop an agricultural base in the now expanding cotton plantations, which now cover more than 20,000 hectares in 25 provinces.[113]

Aside from the economic demands of foreign monopoly capital which are reflected in the concrete forms of neo-colonialist methods reviewed above, one political consideration compels imperialism to pursue such a development strategy: "Everywhere else, where the forms of capitalist development are low, these material conditions [for emancipation of the working class] are absent; production is scattered among thousands of tiny enterprises. . . , for the most part the exploited still possess tiny enterprises, and are thus tied to the very bourgeois system they should be fighting: this retards and hinders the development of the social forces capable of overthrowing capitalism. Scattered, individual, petty exploitation ties the working people to one locality, divides them, prevents them from becoming conscious of class solidarity, prevents them from uniting once they have understood that oppression is not caused by some particular individual, but by the whole economic system."[114] Whatever maneuvers and stratagems it employs however, imperialism cannot escape the fact that from its own system it nurtures its own gravediggers.

Concluding Remarks

The foregoing discussion is not intended in any way to give an all too powerful image of imperialism. Its main strategic maneuvers in fact reveal its basic weaknesses and contradictions. What might appear as its initiatives are in reality mere responses to the main currents of world developments now determined by the forces of socialism and national liberation.

In the light of the progressive changes brought about by a new balance of forces, the world capitalist economy is undergoing significant re-structuring. The sharp class contradictions in the major capitalist economies are increasingly broadening working class solidarity and militancy, generating high labor cost to monopoly corporations and consequently cutting down their competitive edge in the world export market. The growing contradictions among the United States, Japan, and the West European countries intermittently explode in economic wars.

The escape route that these countries take out of these conflicts and crises give rise to two inter-related trends in the re-structuring of the world capitalist economy: (1) the acceleration of the internationalization of capital toward the Third World; and (2) this internationalization of capital is taking a definite pattern of specialization along which the economies of the developing countries are being structured.

In this framework, the movement of capital to the Third World becomes increasingly more political in function, namely, it is deliberately being propagated to keep the developing countries within the orbit of capitalism. This strategy is even intensifying, since the Third World in the last decade has been going through a process of differentiation: the movement for independent development has broadened, giving forth strong tendencies toward non-capitalist or socialist orientation.

As in the case of the Philippines, Third World countries are presented with a new feature of the world capitalist economy, namely, the internationalization of productive forces and relations but under the control of TNCs as a medium of capitalist appropriation. It is not a situation from which the Philippines can escape by some convenient maneuver. It characterizes the present stage of world capitalism. The problems of these countries are, therefore, integral to the present state of that economy, and their objective solution points to the more basic question: whether they will continue to pursue capitalist development, or choose the historic alternative of taking the non-capitalist or socialist orientation. However, the problem as to what political forces are to carry the country into meaningful changes must be defined by "a concrete analysis of a concrete situation", an effort requiring a close inter-relationship of the general and the particular in any concrete field of political action.

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[47] As quoted in Storey & Lichauco, *op. cit.*, pp. 224-225.

[48] As quoted in R. Constantino, *The Philippines: A Past Revisited*, p. 292 (1975, Quezon City).

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> When next I realized that the Philippines had dropped into our laps I confess I did not know what to do with them. I sought counsel from all sides — Democrats as well as Republicans — but got little help. I thought first that we would take only Manila; then Luzon; then other islands, perhaps, also. I walked the floor of the White House night after night until midnight; and I am not ashamed to tell you, gentlemen, I went down on my knees and prayed Almighty God for light and guidance more than one night. And one night late it came to me this way — I don't know how it was but it came: (1) that we could not give them back to Spain — that would be cowardly and dishonorable; (2) that we could not turn them over to France or Germany — our commercial rivals in the Orient — that would be bad business and discreditable; (3) that we could not leave them to themselves — they were unfit for self-government — and they would soon have anarchy and misrule over there worse than Spain's was; and (4) that there was nothing left for us to do but to take them all and to educate the Filipinos and uplift and civilize and Christianize them, and by God's grace do the very best we could for them, as our fellowmen for whom Christ also died. And then I went to bed, and went to sleep, and slept soundly, and the next morning I sent for the Chief Engineer of the War Department (our map-maker) and told him to put the Philippines on the map of the United States (pointing to a large map on the wall in his office), and there they are, and there they will stay while I am President. (As quoted in M.V. Gallego, *The Price of Philippine Independence under the Tydings-McDuffie Act* (1939), pp. 27-28).

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3 Rigoberto D. Tiglao

Tenancy in an Underdeveloped Capitalism

Mainly because tenancy systems make up a major portion of agricultural units of production, Philippine agriculture, then and now, has been viewed as having a feudal mode of production. This view stems from the interpretation that unpaid surplus labor in tenancy systems expresses itself *directly* as ground rent, or the landlord's share; the relations of production make up therefore a feudal one.

The thesis presented in this paper is that Philippine agriculture is basically a small-peasant system of commodity production operating within a type of capitalism which remains underdeveloped because of its subordination to imperialism.

Rather than a manifestation of feudalism, Philippine tenancy is a "derived" or secondary economic formation. It is a conjunctural system of production resulting from the imposition of a capitalist mode on a small-peasant system of production. Tenant peasants' unpaid surplus labor is not in the form of feudal rent; it is rather extracted by the landlord class through capitalism's economic mechanisms and based on the bourgeois institution of private ownership of the means of production.

A few preliminary remarks are necessary. In determining the mode of production in a particular society, the rather prevalent use of what may be termed as the "checklist approach," which seeks to establish one-to-one correspondence between features of an actual society and elements of the concept of a mode of production, should be avoided.

A mode of production is not merely the sum of its elements; it is a system which has been succinctly described as "an articulated combination of relations and forces of production structured by the dominance of the relations of production." The existence of a mode of production in a particular economic formation cannot be concluded from the mere existence of units of production characteristic of a particular mode. For example, the existence of American cotton plantations run by slaves in the 19th century does not necessarily mean that there was a slave mode in the U.S. during that time.

Rather, what basically defines a mode of production is the mode of appropriation of surplus labor. For capitalism, this has been very concisely defined as follows:

> " . . . the capitalist mode of appropriation of surplus labor. . . works through the mechanism of the exchange of equivalents between capitalists and

laborers of two departments of production (department I produces means of production, department II produces means of consumption). Here, the difference of necessary labor and surplus labor is realized in the difference between the value of a commodity, labor power, and the value that is created by its productive use. The appropriation of surplus-labor under capitalism takes place through a system of commodity exchange involving the production of commodities by means of commodities, since labor-power and means of production must first be purchased by the capitalist. Thus commodity relations occupy the place of a central and invariant element in the capitalist mode of production while in all other modes of production, they are assigned a subordinate place, neither essential nor invariant, with regard to the operation of non-commodity mechanisms of appropriation of surplus labor." (Hindess, B. and Hirst, P., *Pre-capitalist Modes of Production, Routeledge and Kegan Paul, 1975, pp. 101-102)*

In contrast, the mode of appropriation of surplus labor in pre-capitalist systems work generally through non-economic (i.e., not contained in the process of production) mechanisms:

> "The direct producer. . . is to be found here in the possession of his means of production, the necessary material labor conditions required for the realization of his labor and the production of his means of subsistence. He conducts his agricultural activity and the rural home industries connected with it independently. . . Under such conditions the surplus-labor for the nominal owners of the land can only be extorted from them by other than economic pressure, whatever the form assumed may be. . . Thus conditions of personal dependence are requisite, a lack of personal freedom, no matter to what extent, and being tied to the soil as its accessory, bondage in the true sense of the word." (Marx, Karl, *Capital*, Vol. III pp. 790-791)

In the Philippines, statistics show that the primary form of appropriation of surplus-labor is through labor power purchased as a commodity for the production of commodities, since the bulk of the direct producers are wage-workers. Since the post-war period, only about 30% of the country's net domestic product has been accounted for by agriculture where it is argued that precapitalist modes of appropriation operate. The rest of the domestic product, however, has been accounted for by non-agricultural sectors where obviously the wage-form operates. In terms of employment, while half of the country's entire labor force is in agriculture, only 56% of the rural labor force constitute "unpaid" workers, i.e., family labor including the farm operator; the remaining 44% are agricultural wage workers. In terms of the composition of the national income, 45% are wages while 48% are "entrepreneurial and property income of persons." Although the latter includes landlord income, it does not account for the bulk of "entrepreneurial and property income." Sources of family income also reflect the preponderance of the wage-form: 43% (11%agricultural, 32% non-agricultural) of families had wages as their main form of income in 1971, while 34% had farm operation (as landowners or tenants) as their main source of income.

Since the income of the majority of the direct producers in the country are in the form of wages – the price of labor-power as a commodity – this means therefore that the primary mode of appropriation of surplus-labor is capitalist. Surplus-value is realized in the difference between the price of labor-power and the market value of the commodity created by labor-power's productive use.

While obviously in operation in the country's commercial-industrial sectors as well as in agricultural plantations, this capitalist mode of appropriation of surplus-value – through the entire economic mechanisms it generates – is enforced and, in fact, is the determinant of systems of production such as small-peasant and tenancy systems which on the surface, appear to be precapitalist in form.

To concretize the discussion, the system for production for the commodity copra*, based on the analysis of a previous study ("The Political Economy of the Philippine Coconut Industry," U.P. Third World Studies: 1980) will be used.

It should be emphasized however that while copra production may have features distinctive from other agricultural sectors, for example the lower rate of tenancy or the fewer number of plantations in this sector, basically the same analysis applies to the other agricultural sectors.

Copra production has the following major features:

The majority, or 90% of the production units are small (farms under 10 hectares in size) with an average size of 4.4 hectares. These small farms however account for only 58% of the total coconut hectarage. On the other hand, only 10% of the farms, consisting of medium-sized farms (of 10 and under 50 hectares in size) and plantations (over 50 hectares) account for 42% of the total coconut area. The majority of the farms are "operator-owned" with tenanted farms accounting for 18% of the number and 16% of the total area.

The system here is basically of a capitalist mode. Engaged in the production of a commodity – copra, which in fact is an internationalized commodity – surplus-value in the system is generated out of the difference between the value of labor-power as a commodity (or the cost of reproducing the direct producers' conditions of existence), and the higher market value of the commodity. The surplus-value is appropriated by the exploiting classes not directly within the production unit itself, as in feudalism, but through the entire capitalist system of commodity-exchanges.

This is obvious in the case of farms run entirely on the wage-form, possible because of the existence of a proletarian class which constitutes a major portion of the direct producers in the industry. Either as seasonal or permanent workers, they have been estimated to number 200,000, and make up about 38% of the estimated 500,000 direct producers in the sector. While concentrated in medium-

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* (Copra is the dried meat of coconuts, from which coconut oil, an industrial raw material is extracted mainly through the use of large-scale industrial equipment. The processing of the copra out of coconuts however is undertaken on the farm level itself. Coconut farms make up 23% of total croplands and 74% of commercial croplands.)

sized farms and plantations, even small peasant-run farms typically utilize hired labor. Wage-labor in these farms has been estimated to make up from 55% to as much as 70% of the required labor input. While this may seem irrational for small peasants whose income even without expenses for hired labor are already below subsistence levels, this is actually required by the capitalist system. With the use of hired labor, a peasant is able to drastically reduce production time. Aside from the resulting minimization of risks in production, the reduction in production time enables the peasant to more quickly convert the copra into a cash income, which he needs in the soonest possible time in order to purchase his means of subsistence.

Surplus-value in copra production has been estimated to be at the rate of 240% in the 1970s. For a farm of average productivity, a capital of P302 per hectare, consisting of P266 in variable capital (wages) and P36 in constant capital (for all other expenses) yielded a surplus value or profit of P1,026.

While the mode of appropriation of surplus-value is obviously capitalist in farms entirely run on the wage form, this is not immediately apparent in the other types of production units in the sector, the small peasant-owned and tenanted farms. However, as will be argued below, these types of units of production merely represent forms of production developed to suit the particular conditions of an imperialist-dominated capitalist system, that enforces the capitalist mode of appropriation of the direct producers' surplus value.

Aside from the agricultural proletariat, the other major class of direct producers in the sector are the 267,320 small landowning peasants operating small farms with an average size of 4.4 hectares. The average net income of the small landowning peasant is P5,908 in the 1970s, an amount below the estimated subsistence minimum for a family of six in the rural areas of P9,663. In effect, the "wages" the landowning peasant pays to himself for maintaining and securing the farm, recruiting and supervising hired labor, and for copra-making are equivalent to only a portion of his subsistence requirements. Part of his subsistence requirements is provided by secondary crops like corn and bananas, vegetable gardening and livestock raising for home consumption, the production of which is possible because of the peasant's access to land.

The peasant in effect is a *semi-proletarian.* He is a proletarian in that, like the wage worker, he expends his labor-power in a system of generalized commodity-production, which system however gives him a cash income equivalent at most, only to the reconstitution of his labor power. Unlike the wage worker, however, the landowning peasant as well as the tenant is not separated from the means of production, land, which enables him to rely for a part of his subsistence on production for immediate consumption (i.e., usually secondary crops and livestock raising).

While the peasant gets an income equivalent only to the cost of his labor-power, he actually creates a value over and above the cost of his labor-power. Through the capitalist market, this surplus value is appropriated by the commercial and industrial capitalists in the industry and ultimately by the capitalists in industrial countries importing Philippine copra.

For example, as was estimated in the above-mentioned study, out of the total export value of coconut oil, only 76% consisted of farm income. About

7% consisted of traders' profits and 8% oil manufacturer-exporters' profits (the rest included traders' and manufacturers' costs and the government tariffs.)

This semi-proletarianization of the peasantry is the result of the subordination of a small-peasant system of production to a capitalist mode. Generalized commodity production as well as other features of the capitalist mode had dissolved the unity of handicraft and agricultural production in localized, self-sufficient communities, mainly through the influx of imported or domestic consumption goods produced with large-scale, capitalist forces of production.

Agricultural production mainly for immediate consumption by the direct producers was then converted into production of commodities for domestic or world markets. This transformation of agriculture resulted in a situation in which the economic conditions of production within communities could no longer be reproduced within communities themselves but had become dependent on the entire economy. To illustrate this very roughly, the copra producer had to rely on the market for rice and other food commodities as well as other consumption goods. For his means of subsistence, therefore, cash income to purchase such goods was necessary which income was dependent on domestic and even world markets for the copra community.

However, the nature of the market is such that it pegs the peasants' cash income only at a level that would at most only produce the conditions for production, that is, at a level which would secure the most indispensable portion of the peasants' subsistence. The possibility of production for immediate consumption, made possible because of his access to land, has the effect of lowering the cash requirements for his subsistence.

The copra peasant is dependent on the conversion of the copra commodity into money for a portion of his subsistence. The economic formation forces him to accept copra prices at a level sufficient only to cover for this portion of his subsistence. The alternative of course is starvation, since with the proliferation of small farms, one peasant's refusal to sell the copra at such low prices will not at all affect its supply. Concretely, the strata of 14,500 copra traders (usually in the proportion of one barrio trader to 100 copra producers) enforces such a minimum price level, since the revenues of this class – engaged as they are in no production activity – is entirely dependent on lowering prices received by peasants.

Marx (in Capital, Vol. III, pp. 805-806) described such a situation phenomena as follows:

> "For the peasant owning a parcel, the limit of exploitation. . . is no more than the wages he pays to himself, after deducting his actual costs. So long as the price of the product covers these wages, he will cultivate his land, and often at wages down to a physical minimum. . . One portion of the surplus-labor of the peasants, who work under the least favorable conditions, is bestowed gratis upon society. . ."

A single price level for copra which results only at most in subsistence incomes for peasants however generates substantial incomes for exploitative agrarian classes due to the unequal land distribution and to the mechanisms of a capitalist

mode. Especially since land is the basic material element of production, copra production is characterized by a constant if not an increasing return to production.

The average size of coconut farms under 10 hectares, which make up 90% of all farms, is only 3.2 hectares. On the other hand, medium sized farms have an average size of 17 hectares, while plantations, 139 hectares. Assuming a constant return to scale at the income rate previously mentioned of P1,026 per hectare, the typical small peasant farm generates an income of only P3,386 while the medium sized farms (utilizing no hired labor) and plantations, P17,442 and P142,614 respectively.

It is also important to note that capitalist mechanisms are at work to maintain and even worsen the impoverishment of the peasant class.

The socially-necessary labor time, or the average amount of man-days expended in copra production, has been estimated to be 2.52 man-days per 100 kilos of copra. The copra produced by low-yielding farms however has been estimated to contain more labor time (3.28 man-days) while those in medium and high yielding farms contain less labor time (2.4 and 1.89 man-days respectively).

There is, however, only one market value for copra, regardless of the differences in the labor time contained in the copra produced by different types of farms. In effect, the more productive farms are exchanging commodities containing less labor for commodities containing more labor. The individual value of the higher yielding farms is lower than copra's market value, and the labor in these farms is considered as "higher quality labor." The difference between this individual value and the market value appears as the high-yielding farms' "extra income."

Among capitalist enterprises such extra income lasts only until the other enterprises have improved their productive conditions, usually through investments in technology and equipment. In the case of copra production, however, the features of the social formation prevent the low yielding farms, operated by peasants, from increasing productivity. Since the income in these farms is hardly sufficient for subsistence, there can be no savings for investments to increase productivity. Even replanting is precluded since this would mean the foregoing of vital income for several years.

The more productive farms, therefore, made up of medium-sized farms and plantations, have a lasting advantage over the low-yielding farms. The unequal exchange involved in such a mechanism results in the siphoning of surplus value produced in the less productive farms to the more productive farms.

The same mechanism of unequal exchange under capitalism operates in urban-rural trade. In this case the copra peasant is in effect exchanging his copra with industrial commodities (clothes, canned foodstuffs, slippers, for example) which contain less labor time since industrial commodities are produced with more developed forces of production. The impoverishment of the agricultural working class is in fact to a great extent due to such unequal urban-rural trade, partially manifested in stagnant farm prices and increasing prices for urban goods.

To summarize the discussions at this point, copra agricultural production is characterized mainly by the subordination of a small-peasant system of production to a capitalist mode and the combination of small-peasant labor with wage labor to generate a surplus value appropriated by capitalist classes.

The social formation in other crops, except for sugar which is dominated by a plantation system of production, is basically the same with the average size of rice farms, for example, being only 3 hectares while that of corn farms, 2 hectares.

The social formation in agricultural production, it should be pointed out, is not totally dissimilar to the commercial-industrial sectors which consists of capitalist enterprises in its most developed form operating along with thousands of small handicraft or artisan producers. Also because of the mechanisms of the dominant capitalist mode, these small producers generate incomes only sufficient for the reproduction of their labor power even as they have access to the means of production.

In this perspective, it is as incorrect to insist that there is a pre-capitalist mode in the commercial-industrial sector because of the existence of these apparently pre-capitalist units of production (small producers) as it is to claim that agriculture has a feudal mode because of the existence of tenancy systems.

As is the case of the small peasant system of production, the tenancy system merely represents a form of production, developed to suit the particular conditions of an underdeveloped type of capitalism, that enforces the capitalist mode of appropriation of direct producers' surplus labor.

Perhaps needless to say, tenants are peasants whose cash income, like landowning peasants, are at most equivalent only to the rural minimum subsistence requirements, since the average size of tenanted farms is only about 4 hectares.

A usual approach in analyzing the nature of tenancy is through a question: what determines landlord-tenant sharing arrangements? If it is determined mainly by non-economic factors, for example, by the landlord's political or coercive powers, it is feudal in nature. If, on the other hand, it is determined by the economic mechanisms of capitalism, tenancy in the Philippines is actually capitalist in nature.

The thesis here is that the landlords' share, termed ground rent, in Philippine agriculture is determined by the dominant capitalist mode in the economy, in that it is formed out of the difference between agricultural production's profit rate and the average rate of profit in the commercial-industrial sector. Thus the magnitude of landlord income is dependent on the average rate of profit in Philippine capitalism.

In capitalism, profit rates in different sectors are levelled into an average rate of profit because under conditions of free mobility of capital, an excess profit in one sector will attract further capital into it, thus leading to the elimination of this excess.

This, however, cannot be done in agricultural industries where land rather than capital has remained as the primary means of profit-generating production because the monopoly nature of landownership (i.e., it is of a limited quantity and cannot be reproduced, like equipment, by capitalism itself) functions as a barrier to the entry of capital. The excess of the profit in agricultural production over the average profit in the industrial-commercial sector is the rent which the landowner exacts.

A previous study referred to in the preceding, provided some empirical demonstration of this thesis. Using an estimate that the average rate of profit in the

commercial-industrial sectors of the economy in the 1970s was 13.3% (adjusted for inflation and interest rates), the P1,026 surplus-value per hectare in copra production was broken down into a profit of P342 (capital of P302 multiplied by 13.3%) and the rent of P684 (the excess over P342, or P302 multiplied by the difference between 240%, copra production's actual profit rate and 13.3%).

The profit here would correspond to a tenant farmer's share, or 33%of the net income, while the rent to his landlord's share of 67%, which is precisely the common sharing arrangements in tenanted copra farms reported in one survey.

Differences in sharing arrangements are due to the fact that rent consists of absolute and differential rent, the latter (an "inherent feature of every form of capitalist agriculture," as Lenin put it) arising from differences in the productivity of the lands used for copra production. More productive farms result in a higher share of rent out of the total surplus value.

The immediate objection to such an analysis would be that tenants hardly appear to be capitalist farmers; as in the case of small peasant landholders, they generate income even below the subsistence minimum. However, as was discussed in the case of small landowners operating within a capitalist mode, tenants' share of income are dependent on the mechanisms of a capitalist mode even as they appropriate no surplus value because of the smallness of the means of production, the land, they operate.

The existence and continued maintenance of this type of tenancy – in which tenants rather than being capitalist farmers extorting surplus value from wage-workers, are, like small landholding peasants, semi-proletarians – arise out of the specific conditions of a capitalist system subordinated to imperialism.

This could first of all be illustrated by the following example, drawn from copra production figures. A 400-hectare plantation run entirely on the wage-form and with a high productivity (because of the availability of investment funds) generates a profit and rent of P755,200 out of a capital of P243,000.

A landowner's alternative production system, which in fact is the case in a number of copra plantations, is to subdivide his land into 91 small tenanted farms of 4.4 hectares. Assuming that these can operate only at the average level of productivity, the landowner's revenues in this system would be solely rent which at P684 per hectare (see previous discussions) amounts to P273,600.

Big landowners however do opt for such a tenancy system even if it, at first, appears to lower their incomes. In the first place, it requires no capital outlay amounting to P243,600. Investing such amount of capital is risky, especially considering the backward forces of copra production dependent to a great extent on natural conditions for the volume of production. Rather than risking this capital, the landlord instead opts to invest this capital in non-agricultural enterprises in which his capital can be expected to generate a profit at least at the average rate of 13.3%, that is, profits of P275,999. The landlord therefore gets at least a total income, consisting of rent (the P243,600) and non-agricultural profits (P275,999) amounting to P618,399, a figure somewhat close to the P755,200 profit he would have made if he operated the farm both as capitalist and landlord.

Furthermore, as is typical in most tenanted areas, his income could be further increased by taking advantage of his role as landlord. This is done, for example, through the extension of consumption loans at usurious rates to the tenants themselves, operating commercial enterprises (retail or sari-sari stores) selling goods, because it is a monopoly within his estate, at unusually high prices through copra trading firms.

What therefore appears to be feudal relations of production is actually a profit-maximizing economic response of landlords drawn into a distinctive type of backward capitalism that is subordinated to imperialism.

Imperialism had dissolved rural industry while maintaining the small-holding system of agricultural production at the same time that it arrested the development of urban manufacturing industries. This was the result of the influx of imperialist manufactures and the concentration of capital in the commercial and processing sectors of the extractive industries which produced the raw materials for imperialists' industries.

With the stunted development of an urban manufacturing sector, the labor force in agriculture has been largely contained. Without any other alternative means of subsistence, peasants – who had been dispossessed of their lands through the sheer economic forces of an expanding capitalist mode, political coercion, or through their inability to secure legal titles to family-sized plots which they had tilled – have been impelled to operate farms as tenants.

The wage-form (the purchase of labor-power as a commodity) as a relation of production is articulated with industrial capitalist forces of production in that the industry's technical level is such that labor-power, the purchase and disposal of which is only for a definite period of time (for example, a day), can be expended as intensely as possible within that period.

This is difficult in a backward agricultural sector; wages by time would be disarticulated with the forces of production. A different form is necessary, tenancy for instance, as long as it basically has the same result as that of the wage-form, which is to maintain the direct producers' share of output at a level only for the reproduction of their conditions of survival.

Unlike the conditions of production (for example, workers laboring in a factory for eight hours a day) under industrial equipment, the application of labor in a backward agricultural sector is almost entirely based on natural conditions, requiring very irregular expenditures of labor on the part of the farm operator. In copra production, erratic amounts of labor are required for farm maintenance between harvesting periods, which occur every 1.5 to 3 months. The amount of labor for harvesting and copra-making also would depend on tree productivity and weather conditions.

For this reason, wages of workers for such operations as harvesting and copra-making have been mainly in the form of piece wages, as these ensure for the capitalist that the labor-power he has purchased is expended as intensely as possible. Tenancy, however, has been suitable for small farms for the entire process of production, from maintenance, security, harvesting and copra-making. (This is also the reason why the wages of many farm "managers" or *encargados* are also typically in the form of a percentage of the output.)

The breaking up of croplands into small and medium-sized farms also make a tenancy system more functional than the wage-form. To illustrate this, the labor

input in copra production has been estimated to amount to only 7.5 man-days (eight-hour day) per hectare per year. A 10-hectare farm would therefore require only 75 man-days per year. A landowner employing one worker for the production required in this farm would therefore be able to expend only one-fourth (75 man-days) of the time (300 man-days per year) for which the labor-power he has purchased is at his dipsosal. One alternative is to employ workers only during the harvesting and copra-making season. This however has a disadvantage in that a worker is still needed for the irregular amounts of labor needed the whole year for such work as farm maintenance and security. While such practice is common among many small landowners, another alternative, attractive especially to landowners residing in the urban areas, is to simply lease the farm to a tenant. In this case, the nature of the tenant's share, in a sense, is similar to that of piece-wages, which ensure for the landowner that the labor-power he in effect purchases, is expended as intensely as possible and which makes supervision of hired labor unnecessary.

This is the reason why wage-labor has been mainly functional only in the larger plantations. With a labor requirement of 7.5 man-days per hectare per year, a farm must be at least 40 hectares (therefore requiring 300 man-days) for a landowner to totally use up the 300 man-days he has purchased from a single worker. To give an illustration, a 1,000 hectare plantation would require 25 workers on an eight-hour day. What happens, for example, is that after harvesting one portion of the plantation, the workers with this function would then proceed to a next portion, until they harvest all of the trees. By the time they do so, coconut trees in the portion of the plantation which they first harvested would have already again matured, thus starting another production cycle. A smaller plantation, as in the given example, of course would not permit such a system, as the workers hired for the year, would become idle as they would have to wait for the trees to mature again.

The basic reason why landowners opted for a landlord system rather than for an agricultural capitalist system is because the magnitude of rent in agricultural production has been large, making up in copra production about 72% of the surplus value. This is due to the fact that an underdeveloped agricultural sector is operating within a capitalist system formed by imperialism. The rent in copra production is substantial because of the wide disparity between the sector's profit rate and that of the average rate in the economy's commercial-industrial sector.

This may be traced to the very high organic composition of capital (the ratio of constant to variable capital, which is an index of the technical level of a sector) in copra production, which has been estimated to be 0.14, with variable capital making up 87% of the total capital. In contrast, that in the Philippine industrial capital has been estimated to be 11.5%, with variable capital making up only 8% of total capital (based on figures in Manalaysay, C., "Estimating the Shadow Price of Capital," Industrial Promotion Policies in the Philippines, Philippine Institute for Development Studies: 1979).

A lower organic composition, since only variable capital or living labor creates new values, means a higher rate of surplus value and consequently of profit which is maintained because landownership functions as an obstacle to the equalization of the rate of profit that normally occurs in the commercial-industrial sector.

The high organic composition of Philippine industrial capital is itself a consequence of imperialism. The import-substitution industrialization program of the 1950s opened the economy as a market for imperialist industries' capital equipment and as a site of multinational firms' production plants. This created a highly capital-intensive industrial sector, one patterned after the imperialists' consumption-goods industries designed for global markets.

The underdevelopment of agricultural production itself is the result of the fact that rent has constituted the bulk of the agricultural surplus value.

Among non-monopoly capitalist enterprises under conditions in which there are no barriers to the mobility of capital, competition results in the increase of the organic composition of social capital – and therefore of social productivity – since costs of production are reduced by improving (e.g., more efficient machinery and utilization of raw materials, increasing the scale of production) the conditions of production.

In a backward agricultural sector and in the absence of technological advances, however, excess profits within the industry arise not out of capital investments but purely out of landownership as well as the difference in the conditions of the land (e.g., fertility, distance to markets, etc.).

In order to increase his revenues after reaching the limits of his farm's productivity, therefore, a landowner merely purchases additional lands or, in copra production, replaces the senile coconut trees. Both alternatives however do not raise the productivity of agriculture as a whole. The other option, which is in fact usually taken even before landowners fully reach their farms' productivity is to invest in non-agricultural enterprises, particularly of the type which feed upon the already impoverished conditions of rural working classes such as usury and retail stores selling at very high mark-ups.

Unlike industry, therefore, the surplus value extracted in agricultural production is generally withdrawn from the sector and not reinvested for developing productivity. The expansion of individual landowners' revenues has not involved the growth of social productivity but merely the expansion of their lands, which more often resulted in the dispossession of small peasants of their lands.

Aside from investment purposes, landowners' revenues have been mainly used for conspicuous consumption, that is for the purchase of rural as well as urban mansions, expensive commodities which ape the lifestyle of advanced industrial societies, or to invest in their children's education in foreign schools or in small enterprises abroad.

It may be pointed out that ground-rent as a barrier to agricultural investment has played a functional role within the entire economy. The availability of landlord revenues made possible the influx of manufactures from the imperialist countries: finished consumption goods in the colonial period and intermediate as well as capital goods after the 1950s for a domestic consumption-goods industry.

This is also the reason why even small farmers have opted to use their savings to finance their children's education for urban, petty-bourgeois employment.

From the preceding analysis may also be deduced the factors determining agricultural modernization and the complete capitalization of agricultural production.

It would first of all be useful to point out that in what are now industrial countries, their industrialization – which depended on imperialism – has the following consequences: 1) the creation of a sufficient demand for labor-power for industry so as to shift the bulk of the labor force from the rural to the urban areas; 2) an increase in the demand for agricultural commodities to feed the increased urban population and to provide agricultural raw materials such as cotton, wool, and vegetable oils for industry; and 3) an initial decrease in agricultural production because of the shift of the labor force (many of whom are peasants) to the cities.

The net result of these factors was to raise prices for agriculture products as well as for the costs of agricultural production, the major part of which was for labor-power.

The high cost of rural labor-power impelled technological development in agriculture both to reduce labor requirements and to increase agricultural productivity. These technological developments and the increase in other costs required large scale farming; not only ownership of land but control of capital thereby became a prerequisite for agricultural production. Small peasant farms unable to mobilize the required capital fell below the threshold of income-generating units, and were gradually absorbed into plantations.

In short, landlord rent gradually became smaller and led to the complete capitalization of agriculture when the magnitude of capital needed for agricultural production drastically increased as a consequence of the combined effect of increase in market products for the agricultural commodity (which therefore increases production value, and consequently income) and the development of technology.

In the Philippines, there have been in general, no such economic conditions for capitalization of agriculture because industrial growth was arrested by imperialism. Differences in the magnitude of capital necessary for different agricultural commodities as well as differences in the availability of technology for particular crops, have basically determined the uneven development of various agricultural sectors.

This may be illustrated by contrasting the coconut industry, in which only 10% of the area are in capitalist plantations, with the sugar industry, in which 66% of the area are in plantations.

In contrast to coconuts which is a permanent crop (a single planting yields nuts for about 45 years), only two harvests yearly are normally made from a single sugarcane planting, meaning therefore that unlike coconuts, sugarcane agriculture requires a complete production cycle (from planting to harvesting) yearly.

Because of the physical features of each crop, labor requirements are considerably greater in sugarcane, compared to coconuts, and are concentrated in a continuous five and a half months' harvesting period.

Because of the larger labor requirements and the yearly capital necessary for a production cycle, not only ownership of land but of a capital considerably larger than that for coconut production is required in sugarcane production. It has been estimated that sugarcane's cost of production is P3,205 per hectare considerably higher than the P1,026 for copra production.

Furthermore, the length of the period for returns on investment in the two

sectors differs considerably. While it takes at most only two years to clear virgin lands and use them for sugarcane production, it requires at least seven years – the time it takes a coconut tree to mature – to set up an operating coconut plantation.

Also because of certain historical factors (for example, the availability of technology developed in other countries and the financing extended to elites for sugar production), there had been important technological developments in sugarcane production as early as the prewar period. Such technological developments were impelled by the establishment locally of modern sugar mills which required greater productivity and volume from sugar farms.

The preceding analysis would constitute a conceptual tool for understanding important historical movements and current trends. In particular, the following discussions would attempt to show the economic mechanisms underlying, first, the upsurge of agrarian unrest in particular periods, and second, the efforts of the Philippine ruling class in general, albeit slow towards starting in the 1960s to modernize certain agricultural sectors and transform the small-holding system of production, including tenancy systems, into capitalist plantations.

Based on the analysis of income from agriculture as consisting of a profit and a landlord rent, it would be obvious that the average rate of profit in the commercial-industrial sector inversely determines the magnitude of the rent, since the latter is merely an excess over the average profit. An increase in the average profit would reduce landlord rent while a fall in average rate would raise it.

Upsurges in the economy can generally be taken as manifesting an increase in the average rate, for example in the early 1950s as a result of the import-substitution program, the decontrol period in the early 1960s, and to some extent, during the early 1970s. The latter parts of these decades generally were a period of industrial stagnation, or declines in the average profit.

What has however happened during these periods of increases in the average rate, is that the landlord class has refused to lower the magnitude of rent. They were able to do this because of the fact that sharing arragements in agriculture were "solidified", as it were, by the force of custom. Generally, sharing arrangements could be adjusted to follow economic mechanisms only when a particular tenant leaves a farm and a new one replaces him. In fact, landlords resisted the lowering of rent because they typically operated commercial-industrial enterprises and in order to take advantage of the favorable increases in the profit rates, needed greater capital to do so.

While it may be argued that a peasant does not operate by weighing what his "profit" and what the magnitude of the landlord rent should be, his subsistence income from agricultural production is adversely, concretely affected through the entire capitalist system when the magnitude of rent is maintained despite an increase in the average rate of profit. Among other mechanisms, the flow of whatever available capital in the rural sectors to the urban sector is accelerated during these periods, resulting in the rise of interest rates, mainly informal, in the rural sector. Peasant's income which often relies on credit both for his subsistence as well as for inputs needed for farm operation, is therefore substantially reduced by interest costs. Prices of commodities peasants need furthermore rise during upsurges

in the average rate of profit because of various economic forces: the worsening of inequality of urban-rural trade, rural traders' response to the higher rate of profit in the urban commercial-industrial sector, and the rise of the cost of money in rural areas.

The worsening economic conditions of small peasants, especially tenants, therefore resulted in social unrest, and revolutionary movements in agrarian areas with high tenancy rates during the early 1950s, the late 1960s and early 1970s when the average rate of profit moved up.

Important, however, to point out is the fact that the profit rate in the commercial-industrial sector or agricultural industries (the domestic trading, milling, and export sectors) play a substantial role in the formation of the average rate of profit. Mainly dependent on the capitalist world market, changes in the profit rates of these sectors largely determined changes in the overall average rate of profit.

This acted as a buffer for the adverse effect of a rise in the average rate of profit for export-oriented agricultural sectors since the increase in world prices slightly raises the value of agricultural production, thereby compensating to some extent for the worsening of the tenants' share during such periods.

This of course has not been the case for agricultural production for local consumption, particularly for rice. It is for this reason that it is in tenanted rice-producing regions with high tenancy rates that social unrest has been worst even during upsurges for the economy as a whole.

Such a backward agricultural sector, which remains as it is and even gets worse if left to its own dynamism, however has adverse effects for Philippine capitalism in general, basically because of the mechanisms described in the preceding, rice productivity before the 1960s has stagnated. With other agricultural sectors as sugar and coconut devoted to export crops, a stagnation of rice production has even led to the need to import rice.

Leaving aside the adverse effect of such a condition on peasants' income which leads to social unrest, the most important effect of a backward rice industry would be to push almost all commodities up. This is because with rice being the staple food, in other words its price constituting the bulk of the price of labor-power, an increase in the price of rice because of its insufficient production would push up the price of labor-power. Unchecked, this would continously pull down capitalism's profits despite other favorable conditions. It is for this reason that a program sponsored not only by the local bourgeoisie but by the international bourgeoisie was launched to modernize the rice industry.

The resistance of the landlord class through their political power to the fall in small tenants' rent during increases in the system's rate of profit constituted a disarticulation between the system's political forces and the overall economic mechanisms thereby creating a "break" in the fabric of the entire system which has led to revolutionary movements.

On the other hand, the economic mechanisms requiring a fall in rent during such periods has had another important impact: the acceleration of the process of capitalization in the countryside manifested in the intensified penetration by capitalist corporations establishing plantations in the countryside and the transformation by big landowners of their tenanted estates into modern plantations.

What has happened, for instance starting in 1971 when there was evidently a rise in the average profit rate, is that landlords' rent fell, thereby attracting the entry of capital into agriculture. An important capitalist response, especially considering that despite the fall in rent there had been no change in the technological make-up of the agricultural sector they were entering into, was to use the land they purchased for the production of other agricultural commodities, offering higher profit rates, such as bananas and recently palm oil.

The control by the capitalist class of the state machinery was also fully utilized to facilitate their penetration of agriculture through such mechanism as lower interest rates and tax incentives for agricultural enterprises which reduced their operating costs.

After the oil crisis in the mid-1970s and the onset of recession which reduced the local capitalism's rate of profit, such capitalist penetration however has been abated.

4 Ernesto M. Valencia

Philippine Land Reform From 1972 To 1980: Scope, Process and Results

I. Introduction

This paper deals with the land reform program initiated by the government during the period of martial law. Its focus is on the effect of the said program on the structure of agricultural land ownership in the country. It abstracts away from the productivity and welfare effects of the land reform program. These topics have been well-covered in other works, notably Mangahas *et al* (1974), Sodusta (1978) and Angsico (1976).

Part II deals with the meaning and scope of land reform. Part III discusses the land pricing process under it. Part IV discusses the process of land transfer. Part V is a summary of observations.

II. The meaning and scope of land reform

An evaluation is naturally made relative to a norm. In this paper, land reform means a policy of transferring ownership of the land to its tillers. This is the usual sense attached to land reform in everyday language and is also the meaning attached to it by government pronouncements (see reference to LOI No. 143 in Appendix A). This is also the norm, or ideal, used to evaluate the martial law land reform.

Martial law land reform

The land reform program of the government underwent changes under martial law. The more important aspects are presented in Appendix A, a chronology of land reform under martial law. As of this writing, martial law land reform means the transfer of ownership from landlords to tillers of agricultural lands devoted principally to rice and corn. These lands were previously rented out to tenant-farmers under share or lease tenancy arrangements. Landowners may opt to retain at most 7 hectares of such lands if they do not own more than 7 hectares of other agricultural lands or urgan lands from which they gross at least P5,000 a year. PD No. 27 promised each tenant-beneficiary of this land reform either 5 hectares of unirrigated land or 3 hectares of irrigated land. Landowners are compensated and tenant-beneficiaries amortize the value of the land (see Appendix A for details).

A secondary feature of land reform is the prohibition of share tenancy in rice and corn lands not subjected to transfer of ownership. In such lands, fixed-rent tenancy has been required. The rent had been fixed previously by RA 3844 as 25% of the average normal harvest, minus the cost of seeds, harvesting and post-harvesting operations, during the three agricultural years preceding the establishment of leasehold (as fixed-rent tenancy is referred to in the government literature). In practice, the Ministry of Agrarian Reform (MAR) determines the rent.

Table 1 presents the relative scopes of land transfer and conversion to leasehold. It can be seen that there are substantially less farmers and landowners affected by land transfer while the amount of land affected by both operations is just about the same.

Based on the author's discussion with MAR sources, the MAR has yet to implement fully the decision to extend land transfer to rice and corn landholdings below 7 hectares where the owners have other lands as described earlier. Except in some municipalities designated as pilot areas, such holdings are still being subjected to the shift from sharecropping to leasehold, instead of land transfer. MAR, according to USAID (1977), estimates such holdings at 130,000 hectares out of all rice and corn holdings below 7 hectares. Assuming that Table 1 does not reflect this estimate, then land transfer will encompass some 504,000 tenant-beneficiaries and 861,000 hectares. These figures represent 50.2% of all tenants and 58.9% of the total hectareage covered by land reform.

Not enough land

Looking at the farm-size averages in Table 2, it can be seen that the Presidential provision of 5 unirrigated or 3 irrigated hectares cannot be fulfilled. The average size of farms subjected to land transfer is 1.8 hectares, or a mere 60% of the 3-hectare size considered by PD 27 as family-size, i.e., enough to provide a farm family a decent standard of living, *if it were irrigated.* The majority of these farms are most probably unirrigated. Kintanar and Luna in Encarnacion (1976) approximated the number of irrigated rice farms at only 35% of the total.

The relative scope of land reform

Table 1 shows that only 39.4% of the intended beneficiaries are actually subject to land transfer. The rest (60.6%) are only subject to tenurial reform, principally in the form of abolition of sharecropping. Even when adjusted by MAR's estimate of the effect of extending land transfer to holdings below 7 hectares under certain criteria, land transfer covers only 50.2% of rice and corn tenants and only 58.9% of tenanted rice and corn lands. Within rice and corn lands, tenancy persists in leasehold, although reformed through rent limitation, tenure protection and similar adjustments.

To assess the potential impact of land reform, abstracting initially from implementation questions, the extent of the reform relative to the whole farmer population and farm hectarage has to be considered. Farmer here means the person with the principal economic and technical responsibility for the operation of a farm, i.e., the farm operator. Following the practice of the NCSO in its agriculture censuses, we take only one farm operator per farm. In the case of partnerships, the partner who makes most of the decisions is taken to be the farm operator.

If up-to-date statistics on the number of farms (and, therefore, the total number of farmers) and the total hectarage were available, only the ratio of the

land transfer beneficiaries and the land transferred to them is needed to get an idea of the impact of the land reform program. However, such data are not available. The latest comprehensive statistics on Philippine agriculture are found in the 1971 Philippine Census of Agriculture made by the NCSO. Since these data were gathered a mere one and half years before PD No. 27, the relative proportions in it may be taken to reflect the conditions during the initial implementation of the program.

Land transfer beneficiaries are a subset of all share and lease tenants in rice and corn lands. Table 3 gives the share of rice and corn lands in the total number of farms and land area computed from Census data. The Census also gives a breakdown of farms-number and farms-area across types of crops and types of tenure. Tables 4 and 5 give the percentage distribution of rice and corn lands and other major croplands by type of tenure. The relevant categories for this study are *tenancy* and *part-owner*. The latter are farms in which only part of the land is owned by the farmer and the rest is rented by him. We are interested in those farms under share and lease tenancy. The sub-categories of tenancy includes the types *cash, share of produce, fixed amount of produce* and *others*. The latter includes farms under labor rent and combinations of basic rent contracts such as cash plus produce, fixed plus share and such. Thus all tenanted farms are included except those that are *rent-free*. As for the partly-owned farms (therefore also partly-tenanted), it is assumed that the percentage distribution of types of tenancies within fully-tenanted farms (i.e., under the category *tenancy)* also holds for these partly-tenanted farms. Since there are no relevant data on the proportions of land owned as against land rented in partly-tenanted farms, one-half of the partly-tenanted farm-area is assumed to be rented. This assumption is arbitrary and is made because some factor is needed to complete the estimates being made here. Finally, we assume that 50.2% of share/lease, part/full tenants in rice and corn lands and 58.9% of the area they rent is subject to land transfer. Using proportions instead of absolute figures allows for alternative estimates of such proportions, which are more readily available than full census figures.

To translate the preceding into formulas to obtain actual figures, we define the following:

N = number of all farmers
RN = number of rice farmers
TRN = number of tenant-rice farmers, including those rent-free
RTRN = number of rent-paying tenant-rice farmers
PRN = number of part-tenant-rice farmers, including those rent-free

CN = number of corn farmers
TCN = number of tenant-corn farmers, including those rent-free
RTCN = number of rent-paying tenant-corn farmers
PCN = number of part-tenant-corn farmers, including those rent-free

S_{rn} = RN/N = proportion of rice farmers to all farmers
T_{rn} = RTRN/RN = proportion of rent-paying tenant-rice farmers to all rice farmers

F_{rn} = RTRN/TRN = proportion of rent-paying tenant-rice farmers to all tenant-rice farmers
P_{rn} = PRN/RN = proportion of part-tenant-rice farmers to all rice farmers

S_{cn} = CN/N = proportion of corn farmers to all farmers
T_{cn} = RTCN/CN = proportion of rent-paying tenant-corn farmers to all corn farmers
F_{cn} = RTCN/TCN = proportion of rent-paying tenant-corn farmers to all tenant corn farmers
P_{cn} = PCN/CN = proportion of part-tenant-corn farmers to all corn farmers

These are all intermediate variables so we can approximate:

B_{rn} = proportion of rice farmers involved in land transfer to all farmers
B_{cn} = proportion of corn farmers involved in land transfer to all farmers

And finally:

B_n = proportion of farmers involved in land transfer to all farmers

By dealing with area variables instead of number of farmers, we can define analogous variables S_{ra}, T_{ra}, F_{ra}, P_{ra}, S_{ca}, T_{ca}, F_{ca}, P_{ca}, B_{ra}, B_{ca} and B_a. B_a is thus the proportion of the land involved in land transfer to the area of all farmlands.

The formulas involved are:

$$B_n = B_{rn} + B_{cn}$$

$$B_{rn} = S_{rn}(T_{rn} + F_{rn}P_{rn})(.502)$$

$$B_{cn} = S_{cn}(T_{cn} + F_{cn}P_{cn})(.502)$$

$$B_a = B_{ra} + B_{ca}$$

$$B_{ra} = S_{ra}(T_{ra} + .5F_{ra}P_{ra})(.589)$$

$$B_{ca} = S_{ca}(T_{ca} + .5F_{ca}P_{ca})(.589)$$

Evaluating the expressions using the values in Table 6 gives:

B_{rn} = .107
B_{cn} = .038

B_n = .145 or 14.5%

B_{ra} = .068

B_{ca} = .023

B_a = .091 or 9.1%

So, using proportions based on data from the 1971 Philippine Census of Agriculture, land transfer is estimated to include 14.5% of all Filipino farmers and 9.1% of the agricultural land area. The actual proportions today could be lower because it would be safe to assume that landowners cultivating more lands after the announcement of PD No. 27 have consciously avoided getting into crop-tenure categories covered by land reform. One factor operating in the opposite direction is that the tenancy data in the 1971 census might be on the low side. Tenancy has been generally increasing, based on past censuses, except for the periods 1903-1918 and 1960-1971. One possible reason for the decrease in the 1903-1918 period is the massive opening up of the land frontier. The annual compound growth rate of farm lands for this period is the highest among all periods. On the other hand, the passage of the Agricultural Land Reform Code in 1963 may have made landowners understate the extent of tenancy arrangements in 1971. See Tables 7 and 7-a for the relevant figures.

Other estimates of the extent of tenancy are higher than the 1971 census figure. Aguirre (1975) placed tenancy at 40% of all farms in 1975. Ferguson (1972) placed it at a very high 90% based on a sample from 14 provinces in 1972. Despite a high potential relative scope however, enforcement problems could still limit the effective scope.

III. The Land pricing policy

PD No. 27 sets the price of the land transferred as 2.5 times the average harvest of "three normal crop years" immediately prior to the decree. On November 5, 1973, more than a year after this was decreed, the then Department of Agrarian Reform released a memorandum creating a Barrio Committee on Land Production (BCLP) to determine the relevant production data for use in land valuation for each affected barrio. This was to be composed of representatives of different sectors in a barrio. According to Santiago (1978), the BCLP method "could hardly get off the ground" mainly because the landowners "did not participate in BCLP affairs." In Santiago's words: "Taking a *compassionate position* (underscoring ours) and realizing the futility of making landowners and tenants agree on what the past harvests were, MAR allowed the landowners and tenants to negotiate and agree on the price of the land in money terms and *after having agreed,* convert the value into palay using the government support price of P35.00 as a peso conversion factor." This new method was to involve the execution of a Landowner-Tenant Production Agreement or the LTPA scheme. This compassionate scheme was announced in a MAR memorandum on December 26, 1973. It took only one month and three weeks for the MAR to decide on the futility of the BCLP method which took it more than one year to conceive. The memorandum justified itself as needed "in view of the demands of the landowners for early payment of their lands. . ." (MAR, *Vital Documents. . .).*

The PD No. 27 valuation scheme, which under the BCLP method would have been carried out in a committee in which only two out of ten voting members come from the landowners affected, was for all practical purposes set aside and replaced by a negotiation between landowners and tenants in face-to-face bargaining. This intent is clear in Santiago's paper, where he describes the LTPA as "an exception to the regular procedure" and then immediately contradicts himself in his next sentence: "The BCLP-established production data shall be used for land valuation purposes *only in case landowners and tenant-farmers cannot agree."* This last statement clearly establishes the LTPA as the regular procedure and the BCLP as the exception. Furthermore, the BCLP procedures do not require agreement between tenants and landowners. Nothing in the memorandum says so. A decision may be made as long as there is a quorum of six voting members, even if none of them come from the landowners. (See p. A4, Appendix A.) This advantage to the tenants was lost with the institution of the LTPA as the regular procedure.

Most valuations have been done through the LTPA, according to Guanco (1979). It is obvious that with the prevailing feudal culture in the countryside and with the objective advantages landowners usually have over tenants in terms of education, information and articulateness, landowners would have the comparative advantage in face-to-face bargaining. Santiago notes that "a high preference for the LTPA scheme of land valuation has been noted among landowners." Harkins (1975a) points out that "By late 1974 it was clear that landlords had discovered the opportunities for a better deal in this new system and applications for compensation rose sharply." Another fact supporting the criticism of landowner-bias in the LTPA method is that 58% of tenants who completed the valuation process did so by merely agreeing to the first price offered by the landlord (Montemayor and Bato, 1977). Panganiban (1979) when commenting on MAR's use of the LTPA method said it "betray(ed) an overly strong inclination to placate the established class of landlords at the expense of the insecure class of tenants who are supposed to be the beneficiaries of the land transfer program." Panganiban and Wurfel (1977) present alleged instances when MAR representatives colluded with landowners to delay the valuation process or increase the selling price. Santiago, in discussing the problems attendant to the LTPA method, says "landowners *are having a difficult time* in concluding production agreements with their tenants" and that "Not all LTPA's carry the unanimous accents (sic) of tenants. A *stubborn* few are left out. Another change in practice noted by Panganiban is the termination of the previously-announced policy of crediting lease rents paid from 1973 up to the day the Land Bank pays the landowner as amortizations. It is now MAR's policy to credit these instead to whatever debts tenants supposedly owe landlords to, again, "avoid delay in compensation" (Santiago, 1978).

The LTPA has turned land transfer into basically a government-encouraged market transaction. Accordingly, it has been found that land valuations made so far have been higher than the price that would have resulted using the original formula of PD No. 27, based on known production data. Mangahas *et al* (1974) estimates that the PD No. 27 formula "imply an annual amortization which is approximately one-fourth of the normal harvest, i.e., equal to the fixed palay rental stipulated for tenants-turned-lessees under the code in force in 1972 (RA

3844, Sec. 34, as amended by RA 6389, Sec. 5)." Estimates of the overprice are: from 9 to 13% in Montemayor and Bato, 57% by the USAID and 58 and 72% in Wurfel. In a survey of landowners by Montemayor and Bato, the landowners attested to their being influenced by considerations other than land productivity in determining their offer prices. Factors like proximity to roads and markets and number of tenants per hectare were considered by Montemayor and Bato as affecting the land price. They concluded that "landowners in general receive (in land transfer) the price of their land that is commensurate with the factors that contribute to their additional value (in the market)." And the bigger the land owned, the higher the valuation. However, their study failed to establish a strong case for monopolistic pricing since larger estates were also found to have other characteristics that raise their market value, such as proximity to roads. They also found that landowners with 100 hectares and above were able to settle the price with their tenants in just one meeting. This suggests that the big landowners had stronger bargaining power.

The average per hectare valuation received by the LBP has been rising, except for 1979 (see Table 8). Perhaps landowners have indexed their offer prices to inflation. The cash value of the land transfer transaction to the landowner is less than the agreed valuation as the amount is not immediately paid in full. There are several forms of payment for landowners. Most opt for the forms offering 10 to 30% in cash with the remainder paid in LBP bonds. As of 1979, cash payments totalled 14% of compensation paid out by the LBP. The bonds earn an interest of 6% tax-free. They may also be monetized through the bond market or through a loan with the DBP or LBP, which may then be defaulted.

As an exercise, we may try computing how much of the cash value of sales diverges from the intended price of PD No. 27 and from the capitalized value of the future rents the landowner would have received in the absence of land reform. Harkin (Appendix C) computed the effect of the 2.5 factor used in PD No. 27 as giving an overpayment of 12% for the agricultural use value of the land to the landowner, assuming a discount rate of 15% and a 50-50 sharing arrangement. In addition, actual valuations have resulted in overpricing above the supposed value if the 2.5 factor were used. These are then the two sources of overpayment. On the other hand, the need to convert the bond portion of the payment into cash at a discount reduces the cash value of the sale for the landowner. If we assume Harkin's estimate of 12% and then assume a 50% overprice (lower than most estimates) due to the real manner of valuation, this gives (1.12) (1.5) = 1.68 or 68% above the value of the capitalized rents. Since the modal form of payment is 10% cash and 90% bonds, we then assume the loan value of the bonds with the DBP, 75%, as the cash equivalent of the bond portion. The actual value of the LBP bonds in the market has been fluctuating: 78% in late 1974 (Harkin, 1975a); 90% in early 1975 (Harkin, 1975a); 60% in late 1976 (USAID, 1977) and 50% in 1977 (Wurfel, 1977). Using the said assumptions, the cash value of the land relative to the capitalized rents would be:

$$(1.68)(.1) + (1.68)(.9)(.75) = .168 + 1.134 = 1.302$$

The value relative to the PD No. 27 price would be 1.302/1.12 = 1.16. So the cash value of the land is 30% above the capitalized value of the future rents and 16% above the decreed price.

This exercise lends further support to the conclusion that no wealth is being redistributed *away* from the landlord class, a view that is immediately suggested by the fact that land transfer has become a market transaction. Landowners involved in land transfer are receiving adequate compensation, at the minimum.

IV. The process of land transfer

Land transfer under land reform is a three-step process. These are:

1. Identification of the beneficiary – This involves surveying of affected areas to identify the tenants, landowners and land parcels involved. This step is capped by the issuance of a Certificate of Land Transfer (CLT) to the tenant beneficiary. The CLT promises no more than that the recipient *may* become owner of the land so identified *if he is able to complete the amortization process.*

2. Valuation of the land – As previously discussed, this has been mostly through landowner-tenant bargaining which ends with their execution of a document of agreement over the price. This is misleadingly called a "production agreement" although the reported production is merely imputed based on the agreed-upon price. This allows the appearance of adherence to the letter of PD No. 27.

3. Payment and amortization – For most cases, this involves payment of the price by the Land Bank to the landowner. Almost all landowners choose the form of payment giving 10 to 30% cash and the rest in bonds. The tenant-beneficiary starts amortizing the price in 15 equal annual payments at 6% interest rate. If he completes payment, he gets his Emancipation Patent (EP) which awards him his conditional ownership of the land. (See Appendix A for details.)

Since tenant-beneficiaries are paying the full equilibrium price, the potential wealth gain for them lies only in the subsidy they get from amortizing the price with the Land Bank at a low 6% rate of interest, below the opportunity cost of capital which is generally placed at around 18%. As landowners are receiving their compensation at market prices, this subsidy is borne by the Land Bank, or by society at large since the Land Bank is a public entity. The potential wealth transfer therefore is from society in general to the set of tenant-beneficiaries (Harkin, 1975b). This potential wealth transfer, though, is limited by the conditional character of the title the amortizer stands to get (Harkin, 1975a). Further, this potential is realized only if he finally gets his EP.

Montemayor and Bato computed the net income will accrue to the average amortizer after considering all out-of-pocket costs, including Masagana loan repayments, Samahang Nayon obligation and Land Bank amortization. This net income ranged from a daily P5.20 to P3.03 per hectare of farm. Since the average of the transferred farms is 1.8 hectares, this converts into an average daily income of from

P9.36 to P5.45 to cover all family needs. The amortizer's family must live within this budget if it is to meet its amortization dues, unless it has other sources of income. Unfortunately, Montemayor and Bato did not give for what year this was computed so the data cannot be compared to the relevant poverty line. For Montemayor and Bato, the results provided basis for expecting the amortizer to get into either amortization trouble or more debts.

Montemayor and Escueta (1977a) took a random sample of 5% of all CLT recipients in 1977 and found that 80% of those with amortizations due were in arrears. Only 35% of all installments due had been paid. Eighty percent of the respondents also had outstanding debts. These bear out the prediction suggested by Montemayor and Bato. Only 20% of the tenant-beneficiaries, who constitute 14.5% of all farmers, are meeting the amortization schedule, assuming the sample of Montemayor and Escueta is unbiased. This would mean that only 2.9% of the farmer population may expect final emancipation. Most delinquent amortizers cited crop failure.

Since the Land Bank publishes annual data on landowner compensations paid and amortizations collected, it is possible to estimate the ratio of amortization paid to those due from all tenant-beneficiaries (except for the very few who are amortizing directly to their former landlords). Given the amount of compensation paid out to landowners in year t, a stream of equal amortizations due for the next 15 years (years *t+1* to *t+15*) at a 6% interest rate may be computed. A similar computation may be done for compensations paid out in year *t+1*, the stream this time is expected from year *t+1* to *t+16*; and so on. Amortizations due for any given year will therefore be the sum of all amortizations due for that year from compensations paid out for the past 15 years. PD No. 27 compensations and amortizations started only in 1974 and the latest data available is for 1979. Based on this method and the said data, summarized in Table 9, collections for the period 1975-79 totalled P35.62M while the total amortizations due for the period was P221.18. This converts to a collection rate of only 16%, lower than the estimated 35% from the sample of Montemayor and Escueta. If we employ the ratio of the percentage of amortizers without arrears to the percentage of installments due from Montemayor and Escueta, which is 20:35, on the 16% collection rate computed here, we can get another estimate of the percentage of successful amortizers, viz. x: 16 = 20:35 or 9.1. If we take 9.1% of the 14.5% which is our estimate of land transfer beneficiaries out of the whole farmer population, we get 1.3% as the proportion of the farmer population which may be considered as "successful" beneficiaries of land transfer. Very little of the potential wealth transfer is being realized.

What happens to the farms of those in arrears is not clear. The rules require the Samahang Nayons to guarantee payments. In the likely event that the SN's cannot meet their obligations in turn, the logical thing to happen is for the Land Bank to retain control over the lands. Land reform will then turn into a redistribution of land from landowners to the state, in the absence of remedial measures to solve the problems of high arrearage.

Along this line, Dorner (1975) has commented that "in (his) judgment, the reform will be unable to meet redistributive (and perhaps also productivity) objectives if the new owners must pay the full market price for the land. As a

matter of fact, most extensive land reforms of the past have been substantially confiscatory."

Montemayor and Bato made similar recommendations, suggesting more subsidies for farmers even in the acquisition of farming inputs.

The following observations from Wurfel are apropos:

"A land reform which is primarily a public relations effort is harmless enough, since the wily peasant expects nothing of it anyway. A fully implemented reform, on the other hand, can create a newly-satisfied and conservative peasantry, as it did in Japan. But a half-completed job has explosive potential. Those who have suffered from landlord evasion tactics are the most disillusioned. And while landlords themselves are unhappy, a large percentage of the peasantry, given a promise which seemed in the process of fulfillment, feels cheated when fulfillment repeatedly slips into the future. This is hardly the basis for legitimacy and stability...."

V. Summary

The following may be said of land reform:

- Land transfer involves 14.5% of all farmers and 9.1% of all farm lands;
- The LTPA method has turned the land valuation process into a market transaction;
- As a consequence, no wealth is being redistributed away from the landlords;
- There is a potential wealth transfer from society at large to the tenant-beneficiaries due to the subsidized 6% interest rate used for amortization;
- Eighty percent of tenant-beneficiaries are in arrears so this potential is not being realized for the most part;
- Consequently, only a tiny percentage of all farmers, the successful amortizers, stand to be emancipated, the way things have turned out. This paper's alternative estimates of the percentage are 2.9% and 1.3%.

As early as the sixties, some quarters have speculated that the politico-economic elite in Philippine society would oversee a land reform program for purposes of defusing the agrarian problem. The Seventies have not borne out these expectations. However, there are other aspects involved in the question of feudalism-capitalism in Philippine agriculture. These are: the increasing monetization of agriculture, the increase of lands operated plantation-style, the increase in the number of the rural proletariat, the persistence of share tenancy in rice and corn lands despite its illegalization and the appearance even of sub-infeudation.

If we are to hold on to the proposition that the laws of political economy vary across time and space, we must therefore be less deductive and be more inductive in our approach. (For more on such an approach, see Mao's *A Critique of Soviet Economics.)* We should be less concerned with being axiomatically consistent with predefined laws and be more concerned with drawing out testable propositions from a logical analysis of facts. You could say, in the manner of Deng, that we should seek truth from facts. Of course, in the course of doing so, we will most probably end up verifying certain basic laws we already know in a formal

sense. But how is this done? Unfortunately, we have little to guide us with – except our sketchy grasp of the methodology of Marx and Engels. For example, that Marx started with commodities (relations between things) and ended with relations of production (relations between men or classes).

For approaching Philippine political economy, I identify several necessary elements, not necessarily exhaustive:

1. analyzing facts through analysis of contradictions;
2. historical materialism;
3. the political economy of capitalism and imperialism;
4. the political economy of agriculture, especially: rent;
5. the economic history of the Philippines;
6. the forms of production and exchange in the economy.

This, at once looks like a tall order. Indeed it is. But the longest journey begins with the first step. And step we must.

Elements (1) and (2) need no elaboration at this point. Later we have need to show our grasp of them. Element (3) should be relatively familiar to those interested in this article. (Those uninterested would be now bored to death, bless their souls.) So I begin with element (4).

Ground rent as we know is payment for access to land. Payment must be made because, first, land is finite in quantity; second, it is privately owned; and, third, it is necessary for the production of certain goods, especially agricultural goods. What effect does this have on economic development? For the entrepreneur, the payment of rent reduces the surplus value that goes to him as profit. Therefore, it deters him from investing more in land-intensive economic activity. Even if he owned the land, in the presence of ground rent in the economy, he would still *impute* a rent to the surplus he appropriates and would invest only to the extent that the rate of profit, after deducting the imputed ground rent, equals the rate of profit he could earn in other investments. Therefore, ground rent acts as a brake to the flow of capital into agriculture. It is for this reason that both neoclassical and Marxist economists are critical of landlordism and view it as a parasitic activity.

But, isn't the landlord entitled to a surplus, especially if he had bought land as an investment? In a sense, yes, so long as the category of income from property is retained in the economy. But here we are concerned with the resultant, rather than the legality or morality of an activity. Besides, the capitalist at least has to go through the M-C-M' cycle and you could think of his profits as the price the economy should pay for his taking the risk of not realizing surplus value. The landlord shoulders no risk, land does not go through any transformation (except for the slight diminution in fertility due to natural processes occuring in agriculture) into commodities. Land is relatively risk-free, except for erosion and earthquakes. The landlord merely waits for the normal processes of capitalism to bid up the rent. It is in this sense that he is viewed as a parasitic rent-taker. He is basically uninvolved in the production process. In this state, he is joined by Lenin's finance monopoly capitalist who merely rakes in the interest from capital but is divorced

from the productive process. This type of capitalist is called a *rentier* by Lenin, coincidentally apropos of our rent-taking landlord.

But can't land be created as in opening up the frontier and reclaiming land from the sea? Yes, but only by incurring higher capital expenditures and, therefore, lowering the profits-capital ratio. The effect is the same, to lower the rate of profit.

Why are we going through all these mumbo-jumbo? To display our skills? No. To introduce the idea that the taxonomic debate as to whether Philippine agriculture is feudal or capitalist is not all that important. Whether the landlord is viewed as a feudal or a capitalist landlord, ground rent-taking remains as an obstacle to agricultural and, therefore, national development.

This being the case, how does capital hurdle the barrier? It does so by evading rent. For example, through landgrabbing or through acquisition of public lands for a token price or rent. But this can be done only at the expense of small owners or by foregoing public income, both of which spawn their own cascade of problems. Or it turns landlord itself, by buying land and speculating – waiting for the economy to bid up the rent or the price.

Thus, in an economy where rent-taking is not abolished or controlled, there will always be a premium to land ownership and speculation. Witness the fact that every couple's dream is to own a house and lot and thus avoid the perennial rise of rents if not to take advantage of it themselves. Every new superstar invests his or her windfall income in apartments and farms. So much of capital goes to land speculation instead of land development.

From this standpoint, one can see that land reform in the sense of a land-to-the-tiller programs can only partially solve the problem. As food prices go up and the number of the rural proletariat goes up, the recrudescence of rent-taking may occur in the form of a black-market for tenancy rights. Other partial solutions such as land price and rent control, zoning, incentives for land development and limitations on the concept of private property of land do have their positive effects but in the long run the essential question that poses itself is the conflict between social and private claims to land. It always becomes a question of whether it is necessary to finally *socialize* land ownership.

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Table 1

Scope of Martial Law Land Reform

Operation	Farmers (%)		Hectares (%)		Landowners (%)	
Land transfer	396,082	39.4	730,734	50.0	49,221	10.4
Leasehold	609,042	60.6	731,836	50.0	423,027	89.6*
Totals	1,005,124	100.0	1,462,570	100.0	472,248	100.0

Source: MAR, "Summary of Operation Land Transfer Program Accomplishments," 31 December 1979

*Author's estimate based on the average ownership of 1.73 hectares for rice and corn lands placed under leasehold, as given in previous MAR reports.

Table 2

Average Sizes Of Farms And Holdings

Operation	Has./farmer	Has./landowner
Land transfer	1.8	14.8
Leasehold	1.2	1.7
Total	1.5	3.1

Source of primary data: Table 1

Has./farmer = hectares + farmers

Has./landowner = hectares + landowners

Table 3

Percentage Distributions of Farms
And Areas By Type Of Crop
Philippines, 1971

Type of Crop	Percent of Total	
	No. of Farms	Area
Palay	41.7	31.3
Corn	21.8	17.6
Coconut	18.4	25.3
Tobacco	00.2	00.09
Sugarcane	01.1	04.3
Citrus	00.04	00.07
Vegetable	00.4	00.2
Tuber, root and u bulb crops	01.4	00.8
Coffee	00.6	00.6
Abaca	00.5	00.3
Banana	00.6	00.7
Pineapple	00.03	00.2
Other fruits	00.2	00.3
Chicken	00.1	00.05
Hog	00.5	00.3
Cattle	01.0	04.6
Others	11.4	12.9
Total*	100.0	100.0

Source: Tables 9A and 9B, p. 10, *1971 Philippine Census of Agriculture.*

*Actual totals different due to rounding.

Table 4

Percentage Distributions Of Tenurial Forms By Numbers Of Farms
In Five Major Crops* And Total Of All Farms
Philippines, 1971

Tenure	All	Palay	Corn	Coconut	Sugarcane	Abaca
Full-owner	58.0	45.0	61.4	74.4	30.7	76.7
Part-owner	11.4	15.9	7.3	6.4	11.9	7.9
Tenancy, all types	29.0	36.8	30.4	18.2	53.5	13.5
Cash	0.2	0.2	0.2	0.1	1.8	0.01
Share of produce	24.2	29.5	27.5	16.6	45.6	11.3
Fixed amount of produce	2.1	4.7	0.1	0.1	1.5	0.2
Rent-free	1.7	1.2	2.3	1.1	0.9	1.8
Others	0.7	1.2	0.3	0.3	3.7	0.2
Manager	0.1	0.03	0.03	0.2	1.3	0.3
Other forms of tenure	1.6	2.3	0.9	0.8	2.5	1.5
Total**	100.0	100.00	100.00	100.0	100.0	100.0

Source: Table 8A, p. 9, *1971 Philippine Census of Agriculture.*

*These five have the biggest share of total farm-area, excluding livestock and the categories "Others" and "Tuber, root and bulb crops".

**Actual totals different due to rounding.

Table 5

Percentage Distribution Of Tenurial Forms By Areas
In Five Major Crops, And Total Of All Farms
Philippines, 1971

Tenure	All	Palay	Corn	Coconut	Sugarcane	Abaca
Full-owner	62.9	49.8	69.5	73.9	48.4	76.9
Part-owner	11.0	15.9	8.1	7.2	18.1	8.3
Tenancy, all types	20.6	30.6	21.1	16.1	16.0	10.7
Cash	0.4	0.2	0.2	0.1	2.1	0.02
Share of produce	16.3	23.0	18.2	14.6	10.9	8.9
Fixed amount of produce	1.5	4.4	0.1	0.1	0.6	0.1
Rent-free	1.6	1.3	2.3	1.0	0.6	1.4
Others	0.8	1.5	0.3	0.4	1.8	0.2
Manager	4.1	1.5	0.4	1.8	16.2	3.0
Other forms of tenure	1.5	2.2	0.9	1.0	1.3	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Table 8B, p. 9, *Philippine Census of Agriculture.*

Table 6

Values For Variables Based On 1971 Census Of Agriculture, Philippines, Expressed As Decimal Fractions

	j = n		j = a	
	i = r	i = c	i = r	i = c
S_{ij}	.417	.218	.313	.176
T_{ij}	.356	.281	.293	.188
F_{ij}*	.967	.924	.958	.891
P_{ij}	.159	.073	.159	.081

Sources: Table 3, 4, and 5.

*$F_{ij} = T_{ij}/A_{ij}$

A_{ij} = Tenancy in i-type of croplands in terms of j expressed in decimal fraction.

Legend: n : values based on number of farms
a : values based on farm area
r : values for rice farms
c : values for corn farms

Table 7

Percentage Distribution Of Farms By Tenure
Philippines, 1903-1971

Year	Full-owner/ Manager	Part-owner	Tenant
1903	81.6	*	18.2
1918	83.4	*	16.6
1939	49.3	15.6	35.1
1948	52.7	10.0	37.3
1960	45.1	14.3	39.6
1971	58.1	11.4	29.0

Source: *Philippine Census of Agriculture*, for given years.

*Part-owner farms classified as full-owner for 1903 and 1918.

Table 7-a

Growth Of Farm Area In The Philippines
1903-1971
(in '000 hectares)

Year t	Area (A_t)	ΔA_t	$\Delta A_t / A_t$	Δt	Annual Compound Growth Rate
1903	2,827.7	n.a.	n.a.	n.a.	n.a.
1918	4,563.7	1,736.0	61%	15	3.2%
1939	6,690.6	2,126.9	47%	21	1.9%
1943	5,726.6	– 964.0	– 14%	9	–1.7%
1960	7,772.5	2,045.9	36%	12	2.6%
1971	8,493.7	721.2	09%	11	0.8%

Source: *Philippine Census of Agriculture*, for given years.

Table 8

Land Valuations Received By LBP
1974-79

Year	No. of has.	Cost (P'000)	Cost/ha (P)
1974	9,711	59,135	6,089
1975	32,261	215,260	6,672
1976	36,763	261,813	7,122
1977	32,022	237,480	7,416
1978	28,724	223,728	7,789
1979	23,369	166,095	7,107
Total	P162,850	P1,163,511	P7,145

Source: MAR (See Appendix B, this paper.).

Table 9

Collections And Amortizations Due Under PD No. 27
LBP, 1975-1979
(in P'000 000)

	Item	1974	1975	1976	1977	1978	1979	1975-79
(1)	Payment to landowners	40.56	179.15	200.75	197.50	231.49	231.25	
(2)	Amortizations due from payments made in							
	1974	–	4.176	4.176	4.176	4.176	4.176	
	1975	–	–	18.446	18.446	18.446	18.446	
	1976	–	–	–	20.670	20.670	20.670	
	1977	–	–	–	–	20.335	20.335	
	1978	–	–	–	–	–	23.835	
(3)	Total Amortizations due	–	4.18	22.62	43.29	63.63	87.46	221.18
(4)	Actual collections	0.03	0.79	3.48	6.57	9.33	15.42	35.62
(5)	Ratio of actual to due in percent		19%	15%	15%	15%	18%	16%

Source: LBP 1978 and 1979 Annual Reports, for rows (1) and (4).
TI MPA Calculator-generated amortization tables, for rows of (2).

Appendix A

CHRONOLOGY OF LAND REFORM UNDER MARTIAL LAW

1972

26 September – PD (Presidential Decree) No. 2 declares the entire Philippines as a land reform area. This means abolition of share tenancy and its replacement with fixed-rent tenancy in agricultural lands except fishponds, saltbeds, lands planted to citrus, coconuts, coffee, durian and other permanent trees and lands devoted to crops with international commitments like sugar. In practice, this has covered rice and corn lands only. Lands so affected also become subject to expropriation with "just compensation".

21 October – PD No. 27 declares all share and lease tenants as owners of "family-size" farms "of five hectares if not irrigated and three hectares if irrigated" with the landowners each allowed to retain "an area of not more than seven hectares if such landowner is cultivating such area or will now cultivate it."

The price per hectare for this transfer of ownership is to be "equivalent to two and one-half (2-1/2) times the average harvest of three normal crop years" immediately prior to the decree. Tenants are to amortize the cost with equal annual installments for 15 years at an interest rate of 6%.

If the amortizer defaults, the cooperative to which the defaulter belongs must cover the payment due and the defaulter must then deal with the cooperative as for corresponding obligations. If the amortizer completes payment of all amortizations due, he becomes owner of the farm. However, his title will not be issued unless he becomes a full-fledged member of a government-recognized farmers' cooperative. Also, the title is not transferable except to a single heir of the farmer-owner or to the government. That is, the land may not be subdivided and may not be resold except to the government.

PD No. 27 is the basic land reform measure under martial law.

19 November – PD No. 57 exempts from taxes the landowner's proceeds from the land transfer.

1973

2 January – A DAR (Department of Agrarian Reform) Memorandum declares that leasehold (fixed-rent tenancy) should prevail over all rice and corn lands pending land transfer and that share tenancy is illegal for these said lands.

21 October – Land transfer, which was previously being effected only on landowner holdings of more than 50 hectares of rice and corn lands, is ex-

tended to holdings from 50 down to 24 hectares.

22 October – PD No. 316 prohibits landowners from ejecting tenants in rice and corn lands pending implementation of PD No. 27. However, the Secretary of Agrarian Reform is empowered to certify ejectment cases with the courts.

31 October – LOI (Letter of Instructions) No. 143 announces these following policies "especially with respect to the small landholdings" (below 24 has.):

a) "as basic policy, the actual tillers of the land, the tenant-farmers, in agricultural land principally devoted to rice and corn production, shall be the actual owners of the land tilled by them. . ."
b) "absentee landowners shall transfer to their tenants their landholdings regardless of area, no matter how small. . ."
c) "the absentee landowners shall be compelled to do so if they (the absentee landowners) are found to have a source of income other than their landholding or landholdings."

This says that absentee landowners with other sources of income will not be allowed to retain any rice and corn lands. The hitch is in the determination of the meaning of *absentee* and *other source of income.*

5 November – DAR Memorandum Circular No. 26, Series of 1973, creates the Barrio Committee on Land Production to determine the average gross production in the barrio for purposes of land valuation as required by PD No. 27. The following are to be the BCLP members:

the barrio captain
1 representative of the Samahang Nayon
4 representatives of the tenants elected by them
2 representatives of the owner-tillers elected by them
2 representatives of the landowners elected by them
1 DAR representative to act as BCLP Secretary, non-voting.

The memorandum requires 6 voting members for a quorum. Protests concerning production levels as determined by the BCLP may be brought, successively, to the BCLP itself, the DAR Regional Director and finally to the DAR Secretary. The DAR Secretary is not required to meet a deadline in deciding over a protest.

26 December – DAR Memorandum Circular No. 31, Series of 1973, announces that "in view of the demands of landowners for early payment of their lands. . .", "agreement between landowners and tenant-farmers as to average gross production of farm holdings can be a basis for the determination of the value of the landowner's land" and that the BCLP procedure will be resorted to only in case of failure of landowner and tenant to agree. This new procedure of face-to-face negotiation between landowner and tenant involves the accomplishment of a document called "Landowner-Tenant Production Agreement" (LTPA) which states the production agreed upon by the two parties.

1974

16 November – LOI No. 227 announces that land transfer is to be extended to holdings below 24 has. of rice and corn lands up to as low as 7 has.

1975

7 May – LOI No. 273 makes the following announcements:

clarifies that rice and corn holdings below 7 has. are to be covered by leasehold contracts;
announces that landowners with holdings below 24 has. will be paid at least 20% in cash and may receive up to 30% in cash, with the balance being paid in Land Bank bonds (also referred to as LBP bonds). Previous to this, cash compensation was limited to 10% of the agreed-upon price;
furthermore, landowners with less than 24 has. may now borrow from the Land Bank of the Philippines (LBP) using their bonds as collaterals at an interest rate of 10%. Previous to this, the lending rate for landowners affected by land transfer was 12%.
These are improvements in the mode of payment for the small landowners because they are supposed to be merely middle-class income earners.

8 July – On this day, according to a DAR Memorandum of 10 July 1975, the President ordered that landowners with less than 24 has. of rice and corn lands may retain 7 has. of these if they do not own 7 has. or more of other agricultural lands or if they do not own urban lands "where they derive incomes for their livelihood." This clarifies the meaning of LOI No. 143 of 31 October 1973.

1976

21 October – LOI No. 474 announces that even rice and corn holdings below 7 has. will be subjected to land transfer operations if the landowners concerned are found to own more than 7 has. of other agricultural lands or are found to own urban lands "from which they derive adequate income to support themselves and their families."

1978

21 April – DAR Memorandum Circular No. 11, Series of 1978, announces implementing guidelines for LOI No. 474 after 18 months, to wit:

"Tenanted rice/corn lands with areas of seven hectares or less shall be covered by Operation Land Transfer if those lands belong to the following landowners:

a) Landowners who own other agricultural lands of more than seven hectares in aggregate areas, whether tenanted or not, cultivated or not, and regardless of the income derived therefrom;
b) Landowners who own lands used for residential, commercial, industrial or other urban purposes from which they derive an annual gross income of at least Five Thousand (P5,000.00) pesos."

This clarifies the scope of LOI No. 474.

10 June – LOI No. 705 includes homelots (land on which tenants in rice and corn lands have their homes) within the scope of land transfer operations.

Appendix B
Table B
Progress Of Philippine Land Reform
(cumulative totals)

Item	1972	1973	1974	1975	1976	1977	1978	1979	1980
1. Land transfer certificates issued									
1.1 Number of tenants	423	144,538	189,121	208,696	230,578	258,078	286,224	320,411	366,972
1.2 Number of certificates	423	207,417	268,541	294,887	323,240	359,367	397,388	444,251	478,308
1.3 Hectares covered	682	259,348	337,025	367,013	400,655	444,896	491,708	545,228	571,784
1.4 Number of provinces	4	54	64	64	66	67	68	69	no data
2. Land valuation received by COLT/MAR									
2.1 Number of landowners	–	–	210	982	2,346	4,146	5,464	5,988	6,949
2.2 Number of tenants	–	–	13,554	39,683	62,455	84,832	101,388	111,439	119,221
2.3 Hectares covered	–	–	17,335	53,195	87,381	128,328	159,257	178,397	192,788
2.4 Number of provinces	–	–	27	39	46	51	54	54	no data
3. Land valuations received by Land Bank									
3.1 Number of landowners	–	–	140	804	2,139	3,555	4,726	5,583	6,598
3.2 Number of tenants	–	–	6,381	29,534	54,256	72,289	88,703	101,402	113,704
3.3 Hectares covered	–	–	9,711	41,972	78,735	110,757	139,482	162,850	184,189
3.4 Estimated cost (P'000)	–	–	59,135	274,395	536,208	773,688	997,416	1,163,511	no data
3.5 Number of provinces	–	–	19	35	44	48	53	54	no data
4. Landowner compensation paid by Land Bank									
4.1 Number of landowners	–	–	88	655	1,544	2,511	3,469	5,165	6,057
4.2 Number of tenants	–	–	3,177	17,746	31,093	46,234	57,261	77,494	88,321
4.3 Hectares covered	–	–	5,799	33,783	59,434	88,391	110,981	149,230	171,236
4.4 Cost (P'000)	–	–	35,886	222,067	418,849	625,160	794,338	1,079,312	1,243,551
4.5 Number of provinces	–	–	12	33	40	45	50	54	no data

Source: MAR. Monthly publication. "Summary of OLT program, accomplishments", December 31 reports for 1972-80.

–: Not applicable.

Appendix C

Example Of Loss To Landlord Of Share Tenant Under PD 27

Assume normal gross yield, excluding loss to typhoon, insects, diseases	120 cavans/ha. 300 (1)
Price to be amortized under PD 27 (120 x 2 1/2)	20
Estimated annual loss to typhoons, etc.	100
Average annual gross yield	20
Harvesting costs	80
Net yield, basis for landlord share	40
Landlord share, 50%	
CAPITAL VALUE, LANDLORD SHARE; assume 15% discount rate	267
Amortize 267 cavans for 15 years at 15%	45.66 cav/yr
Amortize 267 cavans for 15 years at 6%	27.49 cav/yr
Annual underpayment due to interest rate	18.17 cav/yr
PRESENT VALUE OF LOSS DUE TO INTEREST RATE (Present value of 15 payments of 18.17/yr at 15%)	106.25 cav
ERROR DUE TO 2 1/2 FACTOR AND NORMAL YIELD(2)	
2 1/2 times normal gross yield	300 cavans/ha.
Capital value of 50% share of net yield	267 " "
OVERPAYMENT due to 2 1/2 factor	33 " "
NET LOSS DUE TO INTEREST RATE AND 2 1/2 FACTOR	
Amortize 267 cav at 15%, 15 yrs =	45.66 cavans
Amortize 300 cav at 6%, 15 yrs =	30.89 cavans
Annual loss (15 yrs) to landlord of share tenant	14.77 cavans
Present value 15 annual payments of 14.77 at 15% =	86.33 cavans
RATIO OF CONFISCATION/FULL VALUE:	
86.33/267 = 32%	

(1) Value are shown only in cavans in order to simplify the example. They could be converted to peso values by multiplying by an appropriate price for palay.

(2) Use of "normal" yield as defined in PD 27, rather than average yield, overestimates agricultural use value of land.

Above illustration was reproduced from Harkin, Duncan A. 1975. "Some Distributional Considerations in the Philippine Land Reform" as found in Appendix A of Montemayor and Bato (1977). — Author.

5 Alex R. Magno

Authoritarianism and Underdevelopment: Notes on the Political Order of a Dependent-Capitalist Filipino Mode

I.

The regime of martial law in the Philippines, and its authoritarian alter ego after its formal 'lifting' in January of 1981, is a deep and thorough historic phenomenon that remains largely unsynthesized in theory as a separate problematique.

This is understandable. It has never been a facile nor inviting exercise to construct a metatheory of an epochal process that has not fully unfolded. In the context of sharp political differentiations, clear lines of organized disagreement and real contentions, qualitatively discordant analysis never promises to be a particularly pleasant pursuit. Neither is it, as an individual effort, completely feasible.

My own thoughts being largely uncollected and at the primary stage of critical reflection, I have decided to fashion this essay in the format of a notation, thus discarding any pretense to logical elegance but wishing to convey the essence of a theoretical disquiet. Synthesizing a theory of a yet incomplete epoch as a separate problematique, which connotes the cogent reconstruction of the specific Philippine experience at underdevelopment and authoritarianism around its own historical locus, woven with its qualitative uniqueness, shall therefore remain merely as a theoretical possibility, a critical platform from where criticism of available theory may be developed. The format of a notation shall also be best suited to convey the intention of this essay as an inquiry rather than as a definite theoretical position. Hopefully it shall function to invite reflection and debate instead of acceptance or rejection which would be in either way uncritical and thus contrary to the purpose of sustaining a healthy critical culture among progressive activists and intellectuals.

Let us begin with some elemental specifications. This essay is consciously oriented against the more convenient and popular method of ascribing to elements of social reality their place in a pre-established conceptual structure that had *defined* the concrete even before the concrete has been made to define itself. An orientation that heightens the qualitative particularity of an epochal condition in the level of understanding requires the *practice* of dialectical materialism as an *instrument for* knowledge rather than as a *method of* knowledge. It makes of materialism a genuinely scientific standpoint through the full grasp of the dialectics.

This, as we shall further refine in the course of this essay, becomes of crucial importance to understanding the 'waves of dictatorships' in the underdeveloping societies as they are specifically expressed in the Philippine experience: particularly as attempts are made to coherently explain the 'superstructural' posture of authoritarian processes vis-a-vis the objective 'substructural' relations and forces of production.

In speaking of the authoritarian experience as a particular 'moment' in the development of the social mode, it is imperative for analysis to define the regime in terms of historical categories. It must be clarified, however, that the social forces that have generated the authoritarian regime and that have been in turn regenerated by that regime cannot, even for analytical delimitation, be confined to the decade of the seventies. To use more figurative language, these social forces spill in from the decades preceding and shall definitely spill over from the present into every conceivable future. This is so not because of some metaphysical historicist dynamic that would presume inevitability (and therefore some form of radicalist mysticism), but instead because the concrete forces that articulate themselves in the authoritarian phenomenon are deeply rooted in both the neocolonial social mode and the political culture that has served well to 'cement' that mode. As such they develop with a certain amount of predictability: an historically limited predictability that may easily be mistaken for historical 'law'.

The decade of the seventies, and the regime of authoritarianism that is its main feature, must be seen as a watershed, an historical segment that epitomizes a larger historical reality: a crucial historical process governed by processes larger than itself.

Dialectical materialism is the only analytical structure capable of reconstructing in consciousness the full depth and scope, the historicity and transitivity, of this phenomenon. However, in order to clarify the situation of authoritarian processes in the social mode, the analysis of the social mode must itself be first clarified.

II.

The analytical potency of political economy premised on dialectical materialism has in turn invited an analytical orientation that in the last analysis weakens dialectical materialism. A tendency to be obsessed with competing against the illusory elegance of the analytical structures of bourgeois economics, an enterprise invariably accompanied by the downgrading of culture as an objective element in the social mode, has already been pointed out and criticized as, among other things, a neo-Smithian Marxism.'[1] This analytical orientation, in its sincere attempt to provide categorical neatness to the dialectics and 'popularize' its analytical form, results in the abstraction and objectification of 'social structures' inviting a tendency towards class reductionism.

Class reductionism, defining it in a general way, is the uncritical habit of analytically reducing every contradiction into a class contradiction. In this manner, every idea, every ideological fragment, every social process and every state structure is assumed to be directly sourced in or attributable to a class function or interest. Class reductionism is therefore immediately a form of simplism, an error of analytical indolence. For Marxists, it is a lapse more crucial than that, and Ernesto

Laclau, reflecting on Louis Althusser's considerations on the subject, puts the error in clearest terms:

> To this reductionist approach we counterpose the following theses: (1) Class struggle is only that which constitutes classes as such; (2) Consequently, not every political contradiction is a class contradiction, but every contradiction is overdetermined by the class struggle. Let us start with the first thesis. Its obvious consequence is that the second type of antagonism cannot, strictly speaking, be regarded as a class struggle. Note that it is not possible to evade the problem by stating, in our previous example, that the petty bourgeoisie is one class, the feudal landowners another and that therefore the conflict between them is a class struggle. This is the way in which the class struggle is typically presented in bourgeois literature of social history. But, in the first place, classes appear *already* constituted and the confrontation is relatively external to their nature; this has little to do with the Marxist conception of classes according to which they constitute themselves through the act of struggle itself. Secondly, even if there are two classes confronting each other, in the conflict mentioned, it is obvious that they are not in confrontation *as classes*, that their class nature – their insertion in the production process – is relatively external to the confrontation itself. We have *classes in struggle* but not *class struggle*.[2]

Laclau's argument must be emphasized and advanced into the milieu of the specific problem that concerns this essay. Since it is immensely important for a Marxist analysis to refine and be extremely precise in terminology, it must be repeated as premise that a contradiction that is not integral to the self-formation of social classes is not appropriately a contradiction of a fundamental class nature. Being such, it does not embody the core dynamic of the class struggle, unable to fully dominate and determine the larger dynamic of class conflict, and eventually surrendering its own native dynamic (its political nature) to the larger epochal dynamic (thus assuming a 'class' character in the last analysis).

The theoretical questions raised by this on the specific problem of authoritarianism in the Philippines should be immediately evident at this point. Was the development of authoritarian structures in the Philippine case, exemplified by the martial law regime, an articulation of the class struggle? If so, what precise class interest of what specific class-in-formation provides the dynamic of authoritarian development? Further, how may the last decade be assessed in terms of the concrete formation of one *class* over its class negation? How is the concrete development of this *class* reflected in the transformation of the social mode?

If authoritarian development in the Philippines cannot be fully explained as a class phenomenon (as indeed it has not been), then does this mean that it is a contradiction that is not immediately of a class character? If it is not immediately of a class character, what is its concrete political nature and how is this 'overdetermined' by its class context? Is the contradiction between imperialism and the marginalized sections of the neo-colonial society possessing a class character? Is the neo-colonial authoritarian state, functioning as a mediation between imperialism

and the objects of imperialist exploitation, operating principally as a class instrument?

We would, of course, fall into the error of idealist dualism if we pose the problem in either-or terms; that is, if we consider one framework as entirely exclusive of the other. The problem concerns not the validity of one against the invalidity of the other but, in the specific dialectical combination of this historical moment, which characteristic of the authoritarian structure *governs* the development of the whole mode.

It must be admitted that no grand theory, no matter how seeimingly complete it may be, can capture all the various nuances of social reality, if by this term we mean the totality of all that is external to social consciousness.[3]

In constructing theory the theoretician must decide (consciously or subliminally) whether a theoretical construct shall primarily describe those elements or nuances of a reality that are 'constant' (because immediately evident at the moment) or those elements of reality that point to a certain direction of motion (and must be unearthed by historical insight). It is not enough to say that a theory *describes:* because description is by itself meaningless. We must describe in one way or the other.

Political opposition and polarization, which becomes inevitable and objectively necessary, put negative stresses on the construction of analysis but at the same time necessitate it. It is not a problem of irony, however, but one of dialectics.

Indeed, proper grasp of the dialectics is demanded not only by the need to explain the relationship between the theoretician and the object of his theorizing, but also – and more significant – the contradictoriness of the social material itself.

The impulse to oppose authoritarianism among progressive and democrats, and the impinging necessity to resist the development of oppressive neocolonial processes and the fascist political culture it distills among those it victimizes, has fostered a critical culture that is appropriately radical but at the same time invariably possesses a tendency to be overcome by oppositionism to a point where there is danger of the dialectics being abandoned, and thus the danger of this radical counter-consciousness reducing itself into a culture of cynicism that is not only of a clearly unscientific character but is also stagnant and in the last analysis self-defeating. At times this cynicism manages to creep into otherwise progressive theory, directed primarily at potentially enriching criticism.

III.

Although there may be some disagreement, it has been argued that the Marxist theory of the State has achieved a scientifically refined and methodologically systematized form only in the last decade or so.[4]

For the most part, the theoretical perspective that sees the State simply as the 'superstructural' reflection of the 'economic base' predominanted. Of late, much discomfort has been raised by Marxist intellectuals concerning the base/superstructure framework as the methodological format for analyzing the State and the social mode.

While dialectical materialist analysis contains the analytical potential for a more precise conception of the political and the structures of the political, they have tended to be underutilized and heretofore not popularly expressed in the analysis of concrete politics specially as the field has been dominated by class reductionists. A mishandling of dialectical materialism that would cause an understanding of the State that sees it simply as an inactive 'reflection' of class domination (an inferior analytical structure, as we have pointed out, because it assumes the political function of the state as external to the social class) contrasts sharply with Marx's own analysis of the Bonapartist phenomenon or Lenin's thesis on the decisive political intervention into the historical process by a revolutionary socialist State.

A number of dialectical materialists have gone so far as to argue that new realities demand qualitatively new modes of understanding, so much so that the base/superstructure framework must be substantially discarded in the face of qualitatively transformed institutional processes and functions.[5] It must be clarified that what is at issue here is not the correctness or wrongness of the thesis that the State cannot be abstracted from the fundamental epochal character of the social mode. There is unanimity in the Marxist school on the social scientific adequacy of this. What is at issue is the development of an adequate analytical framework that clearly differentiates the political and economic dynamics of an historical 'moment' and the significance of this 'moment' in the last analysis.

On this aspect, much has been contributed by Nicos Poulantzas in terms of developing the conceptual instruments for illustrating with precision the 'relative autonomy' of the State vis-a-vis social classes.[6] One limitation, however, in Poulantzas' work is its preoccupation with the *regime d'exception* (exceptional regime), which is the political structure developing out of a social condition marked by the incapacity of both the ruling and the dominated classes to exercise political power as an extension of concrete class interest. Poulantzas' *regime d'exception,* as would be evident in a later work,[7] is confined almost completely to the phenomenon of Fascism in Europe which he sees evidently as a deviation from the normal structure of the bourgeois State.

Other Marxists, looking at the problem of the 'overdeveloped post-colonial States' extended Poulantzas' dissertation on the 'relative autonomy' of the State. Most notable here is Hamza Alavi's seminal investigation on the nature of the post-colonial State in Pakistan and Bangladesh.[8] Alavi concludes that the State in post-colonial societies cannot be considered as the instrument of any one class but more as a mediator between the competing but not contradictory interests of the different ruling classes. He maintains that the indigenous ruling classes were weak at the time of 'independence' and were unable to completely subordinate the colonial state apparatus. In explaining the phenomenon of authoritarianism among the post-colonial societies, Alavi maintains that the military-bureaucratic oligarchy that took over the well-developed state apparatus plays arbiter to the conflicts between the indigenous bourgeoisie, the metropolitan bourgeoisie and the landed classes. Like the state apparatus which it controls, the military-bureaucratic oligarchy plays a relatively autonomous role: it appropriates a large part of the economic surplus for use in certain forms of economic activity undertaken in the name of promoting

'development.'

Alavi's work sparked a broad ranging debate among Marxist social scientists looking into the phenomenon of authoritarianism in Asia, Africa and Latin America.[9]

Poulantzas' theoretical construction of the 'relative autonomy' of the bourgeois State and Alavi's extension of this into the investigation of the 'post-colonial' State do not constitute revisions of the Marxist theory of the State. While they may appear revolting to those who formed the habit of looking at the problem of the State in terms primarily of its 'superstructural' character, Poulantzas' and Alavi's views draw from undeveloped insights in the Marxist classics.[10]

Frederich Engels, in the most popular framing of the Marxist view of the state, pointed out that the State is a product

> of society at a certain stage of development; it is the admission that this society has become entangled in an insoluble contradiction with itself, that it has split into irreconcileable antagonisms and classes with conflicting economic interest might not consume themselves and society in a fruitless struggle, it became necessary to have a power seemingly standing above the society that would alleviate the conflict and keep it within the bounds of 'order'; and this power, arisen out of society but placing itself above it, and alienating itself more and more from it, is the state.

In the original draft of *The Civil War in France,* Karl Marx made what should be a valuable notation but which may have seemed at that time unimportant enough to merit its deletion in the final published text:

> Every minor solitary interest engendered by the relations of social groups was separated from society itself, fixed and made independent of it and opposed to it in the form of state interest, administered by state priests with exactly determined hierarchical functions. This parasitical excresence upon civil society, pretending to be its ideal counterpart, grew to its full development under the sway of the first Bonaparte. . . But the state parasite received only its last development during the Second Empire. The governmental power with its standing army, its all directing bureaucracy, its stultifying clergy and its service tribunal hierarchy had grown so independent of society itself, that a grotesque mediocre adventurer with a hungry band of desperadoes behind him sufficed to wield it. . . Humbling under its sway even the interest of the ruling classes, whose parliamentary show work it supplanted by a self-elected Corps Legislative and self-paid senates. . . the state power had received its last supreme expression in the Second Empire. Apparently the last final victory of this governmental power over society, it was in fact the orgy of all corrupt elements of that society. To the eye of the uninitiated, it appeared only as the victory of the executive over the legislative, of the final defeat of the form of class rule pretending to be the autocracy of society, by its form pretending to be the superior power to the society. But in fact it was only the last degraded and only possible form of that class ruling, as humiliating to those classes as to the working class they kept fettered by it.[11]

IV.

Transcending as well as enriching the classical Marxist framework of the Bonapartist regime is a broad array of theorizing by Marxist and marxian social scientists on the problem of Fascism as a social phenomenon infinitely more complex and intricate than mere political accident or Machiavellian design.[12] There is also a rich literature on the problem of 'neo-fascism' in the underdeveloped societies.[13]

In the 1920s Ortega y Gasset made a fascinating note on Fascist tendencies that were then just emerging:

> Fascism has an enigmatic countenance because in it appears the most counterposed contents. It asserts authoritarianism and organizes rebellion. It fights against contemporary democracy and, on the other hand, does not believe in the restoration of any past rule. It seems to pose itself as the forge of a strong State, and uses means most conducive to its dissolution, as if it were a destructive faction or a secret society. Which ever way we approach fascism we will find that it is simultaneously one thing and the contrary, it is A and not-A. . .[14]

In Poulantzas' investigation of fascism, the development of its forces draw from among other things an ideological crisis creating thus a condition where the petit-bourgeoisie comes to play an essential political role that, however, is soon overdetermined by monopoly capital.[15] In a very general way, and perhaps quite loosely, this may be compared to what Jurgen Habermas calls a 'legitimation crisis'.[16]

Although the term 'fascism' has often been name-dropped by activists and intellectuals alike, there has as yet been no full investigation of the Philippine experience at authoritarianism *as a fascist phenomenon.* The martial law regime has alternately been referred to as a 'corporatist', a 'repressive-developmentalist' and a 'neo-fascist' regime. But those who have employed these terms have failed to transcend a merely economico-functionalist structure of analysis that treats only slightly if not superficially the component of a mass consciousness or a generalized psychology of distress that would qualify the investigation of the Philippine case *as a fascist phenomenon.* Most often, the concept 'fascism' has been improperly taken synonimously with state violence per se. In which case 'fascism' as a precise category connoting the projection of a seemingly 'classless' ideological form in a condition marked by the collapse of the ideological apparatuses of the ruling class loses this precise meaning.

There are numerous pieces of evidence and rich material for social investigation to sustain an analysis of Philippine authoritarianism *as a fascist phenomenon;* a definitive study of which may render irrelevant some of the lines of debate over neatly categorizing the social mode. The rising clamor, for instance, towards the end of the sixties for a constitutional convention and the breakdown of consensus in the legislative organs of government, as well as the martial law regime's preoccupation with fabricating an 'ideology for Filipinos', strongly suggests a process of ideological collapse and synthetic rebuilding: characteristics that have parallels

in fascist formations elsewhere. Adding to these features is the strong support generated from the ranks of the petit-bourgeoisie by the regime indicated not only by active organizational mobilization (empirical evidence for which should be easy to collect) but more crucially by the class content, the weltanschauung, of regime propaganda.

V.

In confronting the regenerative State systems linked closely to the nexus of monopoly capital, there has been so much debate over what at times are false problems. The tendency of numerous neocolonial regimes to perform the function of advancing capitalist relations over pre-capitalist social forms (some have in fact seen the authoritarian state as standing in place of an undeveloped bourgeoisie and thus performing its class functions) creates specific problems for theory and invites loose handling of theory that may lead to an unnecessary preoccupation with false problems.

As an illustration, the impact of technocratic authoritarian states, in the concrete conditions of imperialist domination, on the social mode has invited much debate and bitter divisions among progressives. Some have taken the position that since such states objectively advance the production forces of capitalism, then from the standpoint of historical materialism they constitute a positive development that must be aided and intensified. Others, opposing this position but not transcending it, try to prove that capitalism is not being advanced at all and that old relations are being absolutely preserved – in effect denying that imperialism with its capitalist premises has a transformative impact on its captive societies. Still others, in accepting the first line of analysis, resist from a nativist position and argue in effect that capitalism is not objectively a progressive historical development and must be opposed per se. Worse, there are those who found an irresolvable puzzle the fact that capitalism transforming a precapitalist society is good and at the same time, because it creates new conditions of exploitation, is bad. This last group is perhaps the best illustration of the inability to use dialectical understanding to grasp why capitalism, even neocolonial capitalism, is by itself a progressive factor in history and at the same time a regressive social mode *in the last analysis.*

Over the last two decades, numerous societies emerging from long histories of subjugation to the old colonial system and currently closely linked to the advanced industrialized capitalist economies exhibited roughly similar tendencies towards authoritarianism of a militarist and technocratic type. The unifying feature of authoritarianism has become more and more specific, characterized not merely by the concentration of power but also by the consistent expansion of the structures of State and the recurring characteristic of commitment to 'progress' of the type that does not require a clear anti-imperialist break.

It is becoming increasingly evident that these tendencies towards authoritarianism are not simply 'determined' by the new demands of imperialism, although the factor of expanding monopoly capital and the integrative processes it generates plays a crucial role in defining this particular political development. The popular explanation that sees this development as a 'conspiracy' between imperialism and its local puppets has increasingly proven itself to be either a simplism or seriously

inadequate as a synthetical framework in grappling with a rather complex epochal phenomenon where substantial evidence may be generated to illustrate the 'autonomy' of the dictatorships from both imperialism and the indigenous ruling classes.

We are familiar with the conventional liberal explanations exported through the uncritical social sciences. These may be roughly divided into two 'schools'. The first one rationalizes the rise of dictatorships in the post-colonial societies on the highly presumptuous and ethnocentric assumption that the peoples of the underdeveloped societies do not possess as yet the requisite political sophistication to maintain a complex and modern democratic government. The second, which we may call the 'modernization' school, considers the rise of authoritarian systems to be a necessary evil in that period where 'traditional' societies pass a stage of 'disequilibrium' on the road to modernization. The authoritarian state is thus necessary to keep these immature cultures from tearing the social order apart under the stresses of "progress".[17]

This is not the occasion, however, to debate with these idealist liberal formulations. What should be more crucial to point out would be the colonial sources of the overdeveloped colonial state processes and their continuity into the present authoritarian period.

It must be remembered that the state apparatus in the colonial societies have been overdeveloped to allow it to play a determining role in the reconstitution of these societies into the colonial mould. The colonial state structure *was not* developed by the neocolonial society as an already constituted order. It was developed externally by the colonizer in order to establish an uncontested hegemony in the captive territories. Thus, the colonial State is at once *overdeveloped.* It was not merely a superimposition on the colonial society; it has been the *core* of colonial society itself, with its extensive administrative, repressive and ideological systems exercising a *determining* presence over the colonized peoples.

The colonial State assumed immense weight and decisiveness not only in the formation of the directly colonized society, but also of the neocolonial society coming after it. This is specially so in those societies where there did not occur a clear and violent break from the colonial past and where the colonial past and where the colonial State was substantially carried over into the post-colonial period.

The apparatus of colonial political domination is primarily responsible for the most basic characteristics of the Philippine post-colonial state – that of being simultaneously overdeveloped and overconcentrated in at least two dimensions. First, the Philippine post-colonial State is overconcentrated geographically, with Manila and the Tagalog regions enjoying the center of gravity of political power and the administrative, bureaucratic and political party activities. Second, it is also steeply concentrated and centralized on the basis of extremely narrow class representation and mobilizes for the actual exercise of political power a very narrow section of the population.

The dynamic, character and structure of the colonial State apparatus as it continues into the post-colonial period rendered the masses ill prepared to protect themselves from rigidifying antipeople tendencies in the State process. Working-class political party participation in the State process has always been severely restricted if not outrightly repressed. Genuine mass-based political movements

were never fully integrated into the structures of political power exercise. We may cite here a consistent trend beginning from the suppression of militant nationalist movements after the close of the Philippine-American war to the Sakdal and the repression waged against the working-class party led by Crisanto Evangelista culminating in the outlawing of the Partido Komunista ng Pilipinas and the subsequent discouragement of parallel legal parties and coalitions such as the Democratic Alliance in the late 1940s.

With the effective exclusion of genuine mass-based and pro-people parties and movements from the structures of political power exercise, democracy never really developed deep roots in both the Commonwealth and the ill-fated Republic after it. The democratic idea, while repeated consistently in the rhetoric of bourgeois and landlord politicians, was never fostered in the concrete forms and substructures of popular consultation and decision-making. Liberalism, in its specific Philippine practice, existed largely as an ideological shroud contorted along the lines of an oppressive neo-colonial mode and an inherently repressive post-colonial State apparatus. This State apparatus, however, was never under the full command of a single, distinct class-in-formation, resulting in that curious situation of an overdeveloped political structure locked in the politics of *immobilisme.*[18]

VI.

The imposition of martial rule in 1972 did not reverse any basic characteristic of the post-colonial Philippine state but instead heightened its principal anti-democratic feature by simplifying it into the authoritarian structure and processes of the 'New Society' regime. This statement however would be simplistic and undialectical if it is not qualified by the realization that the regime also epitomizes a profound qualitative transformation and advance in the objective conditions of a neocolonial society.

There have been several lines of explanation advanced concerning the imposition of martial rule. One is of course the regime's own explanation for itself. This line of justification works consistently on the familiar theme of "saving the Republic and forming a New Society." Working on an unmistakeably Hobbesian theoretical mould, the republic is seen as being threatened with disintegration by oligarchic interests on the right and an insurgency on the left compounded by an armed secessionist movement in the Muslim south and a crisis of 'political will' that has gripped government. These forces are, among other things, cultivated by the deteriorating conditions of the 'old society', a social order that must be reformed by the State through a 'revolution from above.' The martial law regime is therefore to be seen not merely as a corrective instrument that restores 'order' in an anarchic condition, but also as an instrument for transforming society.

Liberal and traditional oppositionists, in turn, explain the imposition of martial rule as a 'coup' on the 'democratic process' inspired by one man's lust for power and the wealth that goes with the corruption of power. Authoritarianism in the Philippines is thus seen largely as an historical accident precipitated by the maneuverings and ambitions of one individual. This narrow anti-Marcos view straitjackets the understanding of its adherents and prevents them from grasping the profound historical origins, importance and implications of the institutionalized

dictatorship, as well as their own roles in the formation of such a polity. This constricted understanding of the phenomenon of authoritarianism renders them without a long-term view of the future and leaves them yearning for nothing more than a return to a past society and to their past priviledges. Expectedly, such shortsightedness could not be constituted into a political programme capable of inspiring committed and strategic mass support.

The view from the Filipino Left, while analytically more comprehensive and strategically more far-sighted, has not been homogenous.

At the imposition of martial law, two lines of analysis emerged prominently among the progressive and militant groups and movements. One saw the rise of authoritarian processes as an indication of the advance of the progressive wing of the indigenous ruling classes that shall transform the backward precapitalist sections of the neocolonial Philippine social mode and therefore establish the conditions for the full development of capitalism in the country through the liquidation of remnant feudal forces in the countrysides. This line is differentiated very distinctly into two schools: one saw the regime as an articulation of national capital in new social conditions marked by the rapid development of internal capitalist mechanisms and the other saw the regime as an instrument of international monopoly capital inserting itself into the Philippine economy and constituting an external factor transforming internal relations on the logic of monopoly capitalist consolidation coursed through the medium of transnational corporate capital.

The other line of analysis maintains first, that the regime is fundamentally a consequence of new imperialist interests in more advanced conditions of nationalist resistance; and second, that the general impact of intensified imperialist 'domination' over Philippine society has been the preservation of the old means of exploitation and therefore the old structure of class rule. The reformist claims of the regime are therefore sheer deception as its fundamental and determining orientation is the maintenance of old relations of production, the defeat of the nationalist aspirations of the Filipino people through massive repression (expressed in class terms through the enhancement of the position of the comprador bourgeoisie and the erosion of the position of the national bourgeoisie), the general maintainance of the status quo and the streamlining of traditional class power through the unfettered structure of dictatorship.

At present, however, neither of these two schools retain the same amount of distinctiveness from each other as more concrete evidences bring to light the theoretical and practical shortcomings of both.

VII.

It is important to locate the authoritarian phenomenon in the context of the period that precipitated its inauguration. This is crucial if the intention is to locate the historical dynamic that propelled not only the distillation of authoritarian processes but also the objective function of the authoritarian state apparatus in an advanced neocolonial mileau.

The more viable thesis, as we shall proceed to illustrate, on the qualitative break from the post-colonial Republic to the neocolonial authoritarian period would be, in Laclau's terms, a 'political contradiction' that is not of an imme-

diately class character. This 'political contradiction', however, is to be 'overdetermined' later by monopoly capital, which shall play an eminent role in the formation of the social mode largely because of the 'undeveloped' nature of internal class forces – referring to both the relative weakness of ruling class forces and the relative backwardness of the proletarian movement. To restate this thesis in another way: the transformation of the State apparatus occurs principally in the 'superstructure', as a consequence *initially and immediately* of a 'crisis in the superstructure', although this is 'overtaken' by the logic of a developing crisis in the 'economic base'.

While, in the late sixties, there was a rising clamor for change, this rising disenchantment was aroused not so much by any perception of the crisis of intensifying poverty as by the perception of the 'stagnance' of Philippine society in its condition of backwardness. It was therefore a disenchantment of a reformist but basically conservative variety that left unquestioned the essential neocolonial character of Philippine society. The clamor for social reform was most pronounced in its petit-bourgeois form and affected most distinctly the literate and articulate middle strata of society developing into a critical culture of 'enlightened economists' and progressive intellectuals, only a few of whom distilled into revolutionaries. Most were to initially welcome the developmentalism of the martial law regime when it was fresh and promising, specially to basically liberal minds. This middle stratum of aspiring professionals and white-collar workers, who were not motivated by a clear anti-imperialist consciousness but rather by an obscure reformism, immediately subscribed to the regime's calls for peace and order, as well as institutionalized, and thus unconvulsive, reform.

This factor was significantly expressed in the reformist demand for a Constitutional Convention, which was seen as a decisive instrument to resolve the crises of the day. The problem, clearly, was not popularly perceived as structural but rather as institutional. The premises on which Philippine society was built was not at that time subjected to popular questioning.

The economic situation from the last years of the sixties to the first two years of the seventies was tight but in no way critical. From 1969 to 1970, the GNP grew by an average of 6.21% in terms of 1967 prices. By 1971, inflation by Central Bank figures was running at a rate of 20.3% and investments declined slightly, but unemployment was at a controllable annual average of 7.5% (dropping markedly from 1970 to 1971). As of November 30, 1971, total Philippine external debts added up to $1,879,300 M, with the private sector accounting for more than half (57.4% or $1,081,500M).[19]

What should be significant to note here, however, is that the tightening economic situation did not effectively translate into a popular critical understanding of imperialism and underdevelopment. The most vehement critics, although they were not entirely erroneous, pinned the blame on the economic policies of the Marcos government, particularly when the peso was allowed to float, as well as on the massive spending that assured Marcos' retention of the presidency in the 1969 contest.

This was a key element in the principal political feature of this period: the intensification of anti-Marcos sentiments and the developing isolation of the Marcos

faction in an increasingly distinct climate of popular disillusionment. This tendency was exemplified by the Liberal party's victorious Senate campaign of 1971 on an anti-Marcos propaganda line: "Ibagsak ang mga Tuta ni Marcos!" The traditional opposition has since been unable to transcend a shallow anti-Marcos orientation.

What has been referred to in some progressive political literature as a 'nationalist' Congress was in reality largely an anti-Marcos Congress reacting to the administration's pro-imperialist policies. This is not to say, however, that there was at that time a complete absence of nationalists in the organs of governmental power. The treaty of amity and commerce with Japan, for instance, was resisted by Congress for years and eventually executed only during the regime of martial law.

The controversial Supreme Court ruling on the Quasha case,[20] although perhaps strictly jurisprudential, ran into sharp contrast with the Marcos administration's pro-imperialist policies and contributed immeasurably to the rapidly developing fusion of anti-Marcos and nationalist sentiments. The effect of this Supreme Court ruling has since been effectively neutralized by the successive policies of the martial law regime geared towards creating favorable legal as well as financial conditions to attract the entry of foreign investments, a cornerstone of the regime's vision of 'development'. Still, it may be surmised that the Quasha decision must have sufficiently alarmed corporate capital and their local clients to attract them to the Marcos faction and later to support the martial law regime that he instituted.

On the floor of the on-going Constitutional Convention, as many as ten resolutions were filed banning Ferdinand Marcos, Imelda Romualdez Marcos and even their close relatives from participating in the 1973 presidential elections or in elections for the post of Prime Minister if and when a parliamentary system is instituted.[20] The Marcos factions influence in the Convention declined further after the exposure of efforts to pay off delegates to assure their support for provisions that would favor the incumbent President. It soon became clear that the Marcos faction could not rely on the Convention to extend his tenure beyond 1973.

Meanwhile, the student-led militant protest movement began to figure prominently in the public mind. Inspite of the rapid expansion of a student-worker-peasant anti-imperialist movement, however, the revolutionary forces were in no objective position to decisively intervene politically and overhaul neocolonial society. The armed secessionist movement in the south was highly localized and at that time bitterly divided along tribal lines. At any rate, it was neither an anti-imperialist movement nor a revolutionary movement poised towards the seizure of state power. Neither was the New People's Army in any position to hold on to territory, much less to promptly encircle the cities.

In sum, while Marcos' position of power had been threatened by legal restriction, factionalism, political isolation and sheer unpopularity, the post-colonial state apparatus and the neocolonial social order were in no way confronting imminent collapse. Neither had the class struggle advanced to a point of organized confrontation. Nor were the ruling classes trembling at the real prospect of revolution. Nor were intramural competition between the ruling classes at any point near armed

confrontation.

It should sound extremely evident, but it must nonetheless be mentioned tht the political fortunes of Marcos during this time should in no way be taken synonimously with the future of neocolonialism in the Philippines.

Gramsci's reflections on the State in the wake of the Russian revolution, while in another context, should be worthwhile to note here:

> In Russia the State was everything, civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled a sturdy structure of civil society was at once revealed. The State was only an outer ditch, behind which there stood a powerful system of fortresses and earthworks.[22]

Surely neocolonial Philippine society was neither primordial nor gelatinous at the onset of the seventies even if the State structure performed an overdeveloped role. Deteriorating political alliances, the inability of the State process to respond credibly to popular expectations and the ineffectualness of political power in coping with new imperialist demands, however, did cause the ground on which the social order stood to tremble a bit.

VIII.

In the light of the conditions precipitating the imposition of an authoritarian regime, the logic governing the behavior and policies of that regime was then principally political, and only in terms of 'overdetermination' was it of a class nature.

This principally political logic takes account of the depreciated political stature of the Marcos faction at the beginning of the seventies; the reassurance of its continuity for its corporate patrons wary of the probability of expropriation and nationalization that had made close calls in the Constitutional Convention, the Supreme Court and Congress in the first years of the seventies; repairing the severely damaged credibility of the Marcos faction after the scandals of the late sixties and early seventies; and, building the legitimacy of the new regime.

The 'revolution from the center' that the regime identified itself with aimed as much at the 'right' as at the 'left'. In terms of political practice, this categorization has served well to project the regime as the State of the public interest, reflecting in much the same manner as the Artistotelian mean the position of moderation denotive of objectivity and standing against the 'extremes'. It also projects, in terms of advanced technocratic liberalism, the disinterested and classless character of the political authority. In Marxist terms, it substantiates the analysis of the regime as relatively autonomous of the contending and developing classes and lays the foundation for an analysis in terms of 'neo-fascism'.

Closer attention must be paid to the ideological mould through which the factions in power have perceived the issues of the day and through which a consensus and consistency of responses have been achieved. This ideological mould overlays the political interests of the factions in power as well as provides a medium through which political interest may be articulated with some semblance of a popular agenda for 'development'.[23]

The specific conjunction of political interest and ideological understanding coheres with the maintainance of a more or less definite line of development in the Filipino social mode. This line of development, marked in the main by the absence of a clear break from the continuous and continuing momentum of neocolonial integration, is the line of least resistance in the immediate sense and therefore most hospitable to political continuity, at least from the nearsighted perspective of regime perpetuation.

The assault on the 'oligarchy', which a section of the Filipino left mistook for an anti-comprador and anti-landlord *class* position, turned out to be an asasult on *individuals* and *groups*, incidentally of comprador and landlord origins, but primarily constituting hindrances to the consolidation of authoritarianism. This almost entirely *political* tendency though is advanced to the level of a class characteristic by the technocracy's clearer and more definitive distaste for the 'inefficient' processes of precapitalist production – those principally referred to as 'semi-feudal'.

This technocratic distaste for 'inefficient' forms of production in turn coheres with the vision of 'progress' of the main institutions of concentrated capital – the international lending institutions – whose crucial logistics the political authority needs, to water down discontent; and the technocracy wants, to break the cycle of 'backwardness'.

This, however, should not be construed as an argument to the effect that authoritarianism in the Philippines has been propelled by the dynamics solely of political opportunity and ideological opportunism. The crucial point, *in the last analysis*, is that both political opportunity and ideological opportunism are *overdetermined* by the objective forces, structures and class alignments of a transforming neocolonial condition. These forces, structures and class alignments do not express themselves *externally* (in the sense Laclau has used the term earlier in this essay). They cannot but be articulated in the 'subjective' tendencies of a political situation and an ideological context.

As a consequence, the politics of authoritarianism in the Philippines aligned with the forces reflective of the advancing and transformative tendencies of the world neocolonial order. While the regime indeed, in both the long and the short terms, runs counter to the objective interests of the Filipino people, its claim to being 'revolutionary' is not entirely hollow if considered in terms of the deteriorating political position and class influence of the feudal ruling classes.

The intensification of poverty should be analytically dissociated from the advance of the forces of production. While this is an elementary consideration, it has often been overlooked in the indictment of the regime by progressives. Analytical dissociation, however, should not be understood to mean that they are unrelated in real terms. To put the point more definitely: it has often been taken as assumption in the popularized version of political economy that intensifying poverty is the result of 'backwardness'. If 'backwardness' connotes the undeveloped character of the forces of production, then this line of analysis is inaccurate. The rapid intensification of poverty during the last decade results directly from the *advance* of the monopoly capitalist forces of production, the expansion of a neocolonial industrial base and the dissolution precisely of old forms of production.

Sufficient evidence has been generated to make more convincing the argument that the massive declines in income results principally from, and precisely because of, the transformation away from precapitalist forms of exploitation to new and more advanced forms of neocolonial direct exploitation of labor. The decisive factor in this development is the neocolonial character of capitalist consolidation in the Philippines.

IX.

To sum up, it has proven analytically difficult if not outrightly futile to begin from a reduction of the Philippine authoritarian regime to definite "objective" class interests. Such invites so much simplification, as well as generalization, not only of the theory of the State but also of the delineation of the precise social mode at this given historical moment.

This analytical difficulty (or futility) ensuing from the popularized premises of class reductionism has taken its toll, expressed in the telling absence of a cogent and compelling dialectical materialist analysis of the new-type authoritarian regime. Progressives have either argued in sheer 'ideological' terms or have analyzed in merely 'political' dimensions without in any way confronting the 'ideological' arguments of empiricists and the 'political' arguments of apologists for dictatorship except in minor matters of factual accuracy. The tendency to reduce every issue to the economic – although going by the name of 'political economy' – has been at once a tendency to utilize Marxist categories while abandoning the dialectical essence of the Marxist method. These tendencies have in turn served to depreciate the scientific advantage and predictive superiority Marxist analysis holds potential over bourgois consciousness.

A more refined method for defining, delineating and analyzing the function of the new State in a more advanced neocolonial mode that not merely dismisses empiricist and apologist analyses nor employs Marxist categories in essentially positivist analysis remains a task yet to be accomplished. The demand for its accomplishment, and the valid and superior articulation of progressive positions that comes consequent to it, has been quite compelling.

NOTES

[1] Brenner, Robert, "The Origins of Capitalist Development: a Critique of neo-Smithian Marxism" in *New Left Review* (104) 25-92, July-August 1977.

[2] Laclau, Ernesto, *Politics and Ideology in Marxist Theory*. London. Verso Edition. 1979 pp. 106-107.

[3] This Lenin found worthwhile to note in this manner: "History, specially the history of revolution, was always richer in content, more complex, more dynamic, subtler than the most effective parties, the most class conscious vanguard of the most progressive classes ever imagined." as quoted in Georg Lukacs, *Writer and Critic and other essays*. Arthur Kahn (trans.) New York. Grosset and Dunlap. 1970.

[4] This view has been advanced by, among others, Laclau specially as it involves "a systematic theory about the nature and role of the State in various socio-economic formations." (p. 51).

[5] See for instance Boris Frankel, *Marxian Theories of the State: a Critique of Orthodoxy*. Arena Publications Association. Victoria, Australia. 1978.

[6] Poulantzas, Nicos, *Political Power and Social Classes*. London. NLB. 1975.

[7] _____, *Fascism and Dictatorship: The Third International and the Problem of Fascism*. London. NLB. 1974 and *State, Power, Socialism*. London. Verso Edition. 1980.

[8] Alavi, Hamza, "The State in Post-Colonial Societies: Pakistan and Bangladesh" in *New Left Review* (74) 1972.

[9] Among the leading articles emerging in the debate sparked by Alavi's analysis are: Colin Leys, "The 'Overdeveloped' Post-colonial State: a Re-evaluation." *Review of Radical African Political Economy*. No. 5 (January-April 1976); John S. Saul, "The State in Post-colonial Societies: Tanzania" *The Socialist Register*. 1974; Michaela von Freyhold, "The Postcolonial State and its Tanzanian Version" *Review of Radical African Political Economy*. No. 8 (January-April 1977).

[10] A more extensive survey and synthesis of the literature emerging from Alavi's work has been done in "The Political Structures of Underdevelopment: A Critical Synthesis of Literature on the State in Post-colonial Societies." This essay, which I had helped to fashion, shall be forthcoming in the *Philippine Journal of Public Administration*.

[11] Quoted in Shlomo Avineri, *The Social and Political Thought of Karl Marx*. Cambridge. Cambridge University Press. 1968.

[12] An excellent survey of this is done by Ernesto Laclau in the chapter on "Fascism and Ideology" in *Politics and Ideology in Marxist Theory (op. cit).* This chapter is largely a discourse on Poulantzas' *Fascism and Dictatorship. . .*

[13] Among those available we may list: Petras, "Neo-fascism: Capital Accumulation and Class Struggle in the Third World" in McFarlane, *The Political Economy of Southeast Asia in the 1980s;* Oppenheimer/Channing, "The National Security State: Repression Within Capitalism" *Berkeley Journal of Sociology* (1978-1979): 3-33; Chichilnisky/Falk/Serna, "Authoritarianism and Development" in *IFDA Dossier* (Sept./Oct. 1980); Feith, "Repressive-Developmentalist Regimes in Asia" Monash University 1979 (Available in photocopy); Ahmad, "The Neo-fascist State: Notes on the Pathology of Power in the Third World" *IFDA Dossier* (Sept./Oct. 1980); Rocamora, "The New Authoritarian Ideology," *Southeast Asia Chronicle* (Nov./Dec. 1978), Stauffer, "Philippine Corporatism: A Note on the 'New Society'," *Asian Survey* (April 1977); ———— "Philippine Authoritarianism: Framework for Peripheral 'Development'," *Pacific Affairs* (Fall, 1977).

[14] Quoted in Laclau, *Politics and Ideology. . . .* (op cit) from Jose Ortega y Gasset, "Sobre el Fascismo," 1927 *Obras Completas,* Vol. 11, Madrid 1954.

[15] Poulantzas, Nicos, *Fascism and Dictatorship. . . (op. cit.).*

[16] Habermas, Jurgen, *Legitimation Crisis.* Thomas McCarthy, (trans.) Boston. Beacon Press. 1975.

[17] Among the more popular of these liberal and neo-conservative apologists for dictatorships would be: Huntingdon, Samuel P., *Political Order in Changing Societies,* New Haven, Yale University Press. 1968; Pye, Lucian W., *Aspects of Political Development.* New Delhi. Amerind Edition. 1972; Rostow, W. W., *Politics and the Stages of Growth.* London. Cambridge University Press. 1971.

[18] The trade and economic policies of various administrations during the period of the Republic contrasted sharply and was marked by deep disagreements among the political factions. A good notation of this was done by Alejandro Lichauco, *The Struggle against Underdevelopment in the Philippines.* Manila. Nationalist Resource Center. 1981.

[19] Culled from the business pages of the *Manila Times* through February 1972.

[20] The decision, penned by J. B. L. Reyes, concerns a petition by American lawyer William H. Quasha. The lawyer sought judicial determination of the scope and duration of the rights acquired by American citizens and corporations controlled by them, under the Ordinance appended to the Constitution as of 18 September 1946, otherwise known as the Parity Amendment.

The petitioner was concerned with the legal status of his 2,600 sq. meter Forbes Park estate after the expiration in 1974 of parity rights granted to American citizens and corporations. In 6 March 1969, the CFI of Rizal decided in favor of the American, declaring: 1) that his purchase in 26 Nov. 1954 of the land was valid; and, 2) that his ownership continues to be legal beyond 3 July, 1974.

On appeal, the Supreme Court ruled: 1) The Parity Amendment did not give American citizens the right to acquire private agricultural lands in the Philippines. Hence, Mr. Quasha's acquisition was illegal. 2) Parity Rights shall not extend beyond 3 July 1974.

It is interesting to note that all six justices participating in the deliberation (Chief Justice Concepcion, Justices Makalintal, Zaldivar, Castro, Fernando and Esguerra) concurred. Justices Teehankee, Barredo, Makasiar and Antonio did not take part because as government lawyers, they had earlier opposed the lower court's decision favoring Quasha.

[21] Former Justice Jesus Barrera, for one, presented a privilege motion to prohibit "all persons who have been President of the Philippines and the spouses" from serving as Chief of State or head of government within six years from the effectivity of the new Constitution. (*Manila Times,* February 2, 1972).

[22] Gramsci, Antonio, *Selections from the Prison Notebooks.* (Q. Hoare and G. Smith, eds.) New York, International Publishers. p. 238.

[23] An exploratory study of the evolution of a Filipino liberal culture has been done by this writer in "Developmentalism and the 'New Society': The Repressive Ideology of Underdevelopment." (Typescript, Third World Studies Centre, UP).

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ARTS AND LETTERS

DISCUSSIONS ON THE NATURE OF Philippine reality have often focused on the question of whether the predominant mode of production is feudal, semi-feudal, in transition to capitalism, or capitalist. . . . In an effort to clarify the issue especially for those for whom the question has strategic relevance, the Foundation for Nationalist Studies invited scholars representing a fairly broad political spectrum to contribute to a symposium on "Feudalism and Capitalism in the Philippines, Trends and Implications."

Given the very broad topic, the participants had the widest latitude to present their own perceptions and analyses either by addressing the topic as a whole or concentrating on a particular aspect of the Philippine experience. The result is a thought-provoking compendium.

From the Foreword